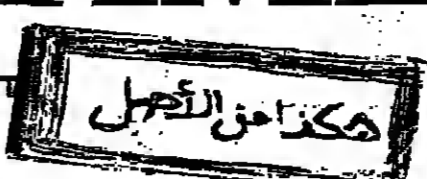


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NEWS SUMMARY

GENERAL
Two die in new Basque violence
 Explosive devices killed two paramilitary policemen in the Basque country and a leading separatist was injured in an assassination attempt. So far this year ten policemen or soldiers have been assassinated, the militant Basque separatist organisation, ETA, claiming responsibility for six of the killings.
 Two extreme right-wing organisations said they had attacked the ETA leader Jose Manuel Pijoan Galarza. He was fired on from a passing van. Page 2

Syria and Iraq merger plan
 Syria and Iraq are planning to form a single State "with one name, one flag, one national anthem and one president who will be alternately Syrian and Iraqi" according to Arab diplomats.
 In October the two countries ended 10 years of hostility and signed a charter for joint action on political, military, economic and cultural matters. Page 2

Cambodia barrage
 Vietnamese forces continued their sweep across Cambodia and an hour-long artillery barrage was reported only 10 miles from the Thai border. International relief agencies in Thailand were preparing for an influx of refugees and wounded. Page 2

Shah warns
 The Shah of Iran warned generals against staging a coup - at least while the Bakhtiari Government remains in power. The setting up of a nine-man Regency Council brought the Shah's departure a step nearer. Iran has agreed to pay Britain £250,000 compensation for the November 3 attack on the British Embassy by anti-Shah rioters. Page 2

Minister resigns
 Turkish Defence Minister Hasan Isik resigned on the eve of the start of negotiations between Turkey and the U.S. on defence co-operation. Page 2

Lester fined
 Lester Piggott was fined £500 at the end of Hong Kong's Jockey's Invitation series for "foul riding" in a minor race. He rode three winners during the series.
Steel leaves
 Liberal leader David Steel left Salisbury saying the situation in Rhodesia was deteriorating, with support for the internal leaders slipping "through intimidation".
Briefly
 Scottish police were trying to trace the source of hydrogen sulphide gas cloud drifting westwards over central areas. Two people were treated for the effects of the gas which has an unpleasant smell but is not dangerous.
 Winner of the latest £75,000 premium bond (1457 75000) lives in Cambridge. The £50,000 winner lives in Staffordshire, winning number 128P 515219.
 Protest rally in Amsterdam against the neutron bomb attracted 6,000 who were entertained for 13 hours by several hundred poets, dancers, singers and other artists.

Ministers may toughen Price Commission powers

Cabinet to start search for consensus on pay

By RICHARD EVANS and CHRISTIAN TYLER
 The Cabinet will meet today and later in the week, not only to assess the heavily disrupted industrial scene, but also to seek a way out of a confrontation with the trade unions that could spell electoral disaster for the Labour Party.
 There were increasing signs last night that two issues which have been pushed actively by the TUC—tougher powers for the Price Commission and more flexible wage negotiations for the lower paid—are being resurrected immediately in an attempt to reach a more general consensus between Government and unions.
 For even though the road haulage and rail disputes are being given top priority, Ministers are also calculating the price of a peaceful wage settlement with the public service unions. The threat to the pay policy and to the Government's pre-election credibility here is regarded as an even greater worry than the crisis in the transport industries.
 The Government is counting on a fairly speedy end to the lorry drivers' strike. This will depend on the success over the next few days of the Transport and General Workers' Union instructions to stop secondary picketing, and its ability to control the negotiations now that the strike is official.
 These hopes are pinned largely on the effect of pressure from other sections of the union, from other unions whose members will bear the brunt of lay-offs throughout industry and from public opinion which Ministers are determined to marshal as effectively as possible.
 More generally, the Prime Minister intends to keep the beleaguered 5 per cent pay guideline as a firm objective, and to continue to threaten the use of fiscal and monetary policies with their inevitable effect on employment levels, should wage rises force up the level of inflation.
 Mr. Michael Foot, Leader of the Commons, admitted in an interview yesterday on London Weekend Television's Weekend World that the Government would have to take action should average wage settlements run out at 12 per cent.
 "That action in one way or another would be bound to injure the position of other workers, either by having taxes raised or by cuts in public expenditure," he warned.
 In order to maintain some pressure on the private sector now that Parliament has rejected the use of sanctions, Ministers are reviving plans to give the Price Commission more impact by modifying the safeguard clauses for company profits.
 They were originally inserted into the legislation by the Conservatives, and Mr. Roy Hattersley, Prices Secretary, has long wished to remove or alter them.
 His intention was spelt out during the abortive discussions with TUC leaders before Christmas, and underlined by other Ministers at the weekend. The issue is likely to be discussed by Cabinet today.
 At present, it is by no means certain that there would be a Parliamentary majority for removing the safeguard clauses. The best hope for the Government lies in gaining the backing of the Liberals, and there are expected to be informal contacts made this week.
 In the public services, where Continued on back page
 Editorial comment, Page 10

Central bank talks settle EMS details

BY PETER RIDDELL, ECONOMICS CORRESPONDENT
 THE EUROPEAN Monetary System will start almost immediately after the French reservations about agricultural subsidies have been lifted. This follows an agreement between the central bank governors of all nine EEC countries which resolves most of the remaining technical questions about the operation of the scheme.
 The EMS will start three working days after the lifting of the French objections. But there is a proviso that if this date is towards the end of a month, any central bank can seek to delay the start until the beginning of the next month.
 This is one of the key points in a short document signed by all EEC countries at the meeting of central bank governors in Basle last week, though the details have only now become known.
 The Bank of England played a full part in these discussions which highlight the British intention to be involved actively in the development of EMS while not, at present, participating in the intervention mechanism.
 France also backed the agreement on the timing of the beginning of the system. This can be seen as further confirmation that the French objections, which prevented the start of EMS on schedule on January 1, are mainly to do with farm subsidies (and French agricultural exports) and do not reflect deeper reservations.
 It is still far from clear, though, when the dispute will end. Chancellor Helmut Schmidt of West Germany said on Friday that he felt the matter could be solved before "very many weeks" have passed, but there is growing caution in both Bonn and Brussels about whether the issue should be sorted out at next week's meeting of farm ministers.
 The Basle document resolves some, though not all, of the problems associated with the very short-term support under which European Currency Units, composed of a basket of all nine currencies, will be issued against the deposit of a fifth of the gold and dollar reserves held by central banks.
 The dollars will be valued at market prices on the two working days before the day of valuation. Gold will be valued at the average price over a period of six months, as set at the two daily fixings in London, provided that this does not exceed the average price at the two fixings on the penultimate working day before the end of the six months.
Stability
 But this agreement only covers the creation of the very short-term facility, and the precise role of gold in the lending mechanism remains ambiguous. A dispute has existed between France and one or two other States which want gold to be valued at 80 per cent of its average market price, and the rest of the EEC, which favours a 75 per cent valuation.
 The eight currencies to be linked together in the intervention mechanism have hardly moved against each other since the beginning of January. This is a clear indication of central bank intention to maintain stability as if the EMS was in operation.
 Indeed, the margins of fluctuation between the French franc and the Italian lira and the five currencies in the snake, the present European joint float, have been so narrow as to confirm the deliberate policy of intervening to iron out erratic movements.
PO \$250m standby credit
 BY NICHOLAS COLCHESTER
 THE Post Office Corporation has arranged a \$250m 10-year standby credit with a group of 10 international banks. The facility will act as a back-up for the issue of an equivalent amount of commercial paper in New York.
 This procedure for fund raising by a state agency matches that pioneered last year by British Gas. But the terms negotiated with the banks, led by Lloyds Bank International and S. G. Warburg, are slightly different.
 Both agencies borrowed for 10 years at 1 per cent over the London Interbank offered rate. The Post Office will pay a "commitment fee" (for the banks' readiness to provide the funds if required) of 1 per cent a year in addition to an initial one-off fee of 2 per cent. British Gas paid an initial fee of only 1 per cent, but its commitment fee rose from 4 per cent to 1 per cent after the first five years.
 International capital market Page 23

Essential supplies plans working 'reasonably well'

BY HAZEL DUFFY and ALAN PIKE
 GOVERNMENT arrangements for ensuring the movement of essential supplies are working reasonably well, it was claimed yesterday, that the effects of the road haulage strike on industry—whose supplies fall largely outside the scope of the arrangements—would lead to serious dislocation.
 Speaking after the first meeting of the chairman of the regional emergency committees, Mr. William Rodgers, the Transport Secretary, said that so far there had been "a substantial improvement" in the movement of essential supplies. A clearer picture of the effectiveness of the committees, however, will not emerge until later today.
 Mr. Rodgers also claimed that the incidence of secondary picketing, which has been the key to the unexpected degree of disruption caused by the strike, has lessened since the Government set up the committees on Thursday. Some reports from the regions, however, show secondary picketing is still very strong in places, and Mr. Rodgers admitted that, with the docks quiet over the weekend, it is too early to make judgment.
 Regional secretaries of the Transport and General Workers' Union met in London yesterday to plan the administration of the strike, including implementation of the decision that picketing should be confined to employers involved in the dispute. But it remains to be seen how successful the union will be in its efforts to end secondary picketing.
 Mr. Alex Kitson, executive officer, admitted last night that it might take "a few days or a week" to sort out the picketing issue.
 Transport union leaders will today examine approaches which have been made by some haulage employers who are willing to settle on the basis of the strikers' full 22 per cent claim. Mr. Kitson said that "many companies" had indicated that they were willing to reach agreement although he could not yet put a number on it.
 Negotiations on behalf of the lorry drivers are not conducted nationally but in 13 areas agreed between the Road Haulage Association and the union. The position of the association is that its 35 per cent offer is final but individual areas have power to reach independent settlements.
 The Agriculture Ministry said yesterday that the union's instructions on picketing "are being obeyed generally" and that essential foods like meat, bread, fresh fruit and vegetables are in plentiful supply. Deliveries of food to shops, some 80 per cent of which are carried by distributors' own transport fleets, have been going ahead without much disruption.
 But the plight of industry can only worsen. BL's vehicle plant at Bathgate in Scotland will close today while Ford yesterday cancelled the full overtime shift at Halewood in order to conserve components. The British Steel Corporation will review the position at its South Wales tinplate plants today, and Avana Bakersies said yesterday it will be laying off 600 people today.
 Details, Page 5

Leading companies set to raise chemical prices by up to 50%

BY SUE CAMERON, CHEMICALS CORRESPONDENT
 LEADING CHEMICAL companies in the UK have begun the big push on prices forecast at the end of last year when feedstock costs rocketed.
 The Price Commission has allowed Shell Chemicals UK, Imperial Chemical Industries and BP Chemicals to put up the prices of their products by as much as 50 per cent in some cases.
 All three companies have now either announced price rises or have opened negotiations with their leading customers on the exact size of the forthcoming increases.
 There are signs that ultimate price rises for some chemicals will be even higher than forecast last month. This is because the cost of naphtha—a basic petrochemical feedstock—seems still to be increased and could well level out at £100 a tonne this quarter rather than the expected £90 a tonne. An extra 10 per cent on naphtha costs would normally mean a 20 per cent rise in the price of chemicals such as benzene.
 ICI, Shell Chemicals and BP Chemicals are increasing their prices, in stages, and further rises can be expected during the year. The average increase for many base chemicals in the quarter will be about 20 per cent.
 BP Chemicals said yesterday that it was looking for rises of between 20 and 25 per cent in the price of its ethylene and propylene. Its higher density polyethylene is likely to go up by about 10 per cent, and it expects its polystyrene price will increase by a total of about 30 per cent. This last figure will include the abolition of discounts.
 ICI, which has had price rises of up to 51 per cent passed by the Price Commission, said yesterday that during the first six weeks of this year it expected its ethylene to go up by about 12 per cent, propylene by 25 per cent, ethylene glycol by 20 per cent and paraxylene by 20 per cent.
 The group estimates that chemical prices in the UK market will have risen significantly by the middle of the first quarter compared to levels in July 1978.
 It expects overall increases during this period to be of the order of 20 per cent for ethylene, 25 per cent for propylene, 35 per cent for methylene glycol and 40 per cent for benzene and paraxylene.
 Esso Chemicals refuses to discuss price rises until they have been implemented. But in the final quarter of last year, it increased the price of ethylene by 20 per cent and propylene by 25 per cent.
 The chemical companies are confident that these price rises—though large—will stick. Their confidence seems, at last, to be based on concrete foundations.
 The cost of naphtha has risen dramatically, and at present, there is also a shortage of the chemical. This means that the overcapacity which has plagued the whole of Europe's chemical industry has suddenly become less relevant.
 The 14.5 per cent oil price increases announced by the Organisation of Petroleum Exporting Countries last month, coupled with the halt on Iranian oil exports, are also thought to have created a climate conducive to higher chemical prices.

Imitators worry computer makers

STRUGGLE between International Business Machines and the growing band of imitators was forcing down the price of equipment, says a leading U.S. consultant, and could lead to competitive problems for International Computers and other independent manufacturers.
FIVE Japanese groups are to join Comcalco and Kaiser Aluminum in developing a new \$500m (£225m) aluminium smelter in Queensland, Australia, with a design capacity of 180,000 tonnes a year. Page 21

COMPANIES

ASSOCIATED SPRAYERS second-half taxable profits rise from £87,000 to £295,500 boosted the figure for the full year to August 31, 1978, to a record, £397,500 (£139,000). Page 20
PHOENIX ASSURANCE group's new annual premiums for worldwide life business rose 32 per cent last year from £11.5m to £15.2m. In the UK they improved by 42 per cent from £5.5m to £12.1m. Page 20

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OVERSEAS NEWS

Shah warns his hardline generals

BY ANDREW WHITLEY AND ANTHONY McDERMOTT IN TEHRAN

THE SHAH has warned his leading generals against staging a coup at least while the government of Dr. Shapur Bakhtiar remains in power. In what seems to be the result of a deliberate leak, yesterday's newspapers reported the Shah as telling hardline generals that he would rather leave the country than have them stage a coup that would cause further bloodshed.

Turkey's Defence Minister replaced

HASAN ISIK, Turkey's Defence Minister, resigned yesterday—shortly before the opening of negotiations with the U.S. on a new defence agreement. Metin Munir reports from Ankara, Mr. Bulent Ecevit, the Prime Minister, has named Mr. Neset Akmandor as the new Minister. Mr. Akmandor, aged 77, is a Senator and former engineer.

Hanoi accuses China

Hanoi has accused China of sending two warships into Vietnamese waters and provoking almost daily border clashes since the fall of Phnom Penh, Reuter reports from Hanoi.

The Vietnam News Agency reported yesterday that the Vietnamese Foreign Ministry had sent a protest note to the Chinese embassy in Hanoi warning Peking that it must bear full responsibility for the consequences.

Namibia mission

Mr. Martti Ahtisaari, the United Nations special envoy, arrived in Johannesburg yesterday for talks on the operational requirements of a UN force to supervise Namibia's transition to independence, Reuter reports.

Rhodesia call-up plea

Following up an announcement extending the Rhodesian call-up of whites for military service to cover the 50-59 age group, a Minister in the transitional Government has appealed to men without a military commitment to volunteer for service.

Pakistan 'sound'

PAKISTAN'S Finance Minister, Mr. Ghulam Ishaque Khan, insisted yesterday that the country's foreign exchange position was sound. Chris Sherwell reports from Islamabad. The Minister said the Government had no intention of defaulting on its debt repayments. He was responding to a Voice of America report which suggested that default was likely.

Meanwhile the Government decided at a Cabinet meeting to make cuts in its non-development expenditure. It announced a 5 per cent reduction in defence expenditure.

under article 42 of the constitution, dealing with the Shah's temporary stay abroad, legal experts say this body could not assume power in the event of the monarch's abdication though it could dissolve Parliament and call fresh elections; or else order the formation of a constitutional assembly to manage a change-over.

U.S. in new Mideast peace bid

BY L DANIEL IN TEL AVIV

THIS WEEK'S Mideast mission by U.S. State Department officials is expected to aim at eliminating some of the obstacles to the resumption of Ministerial level of the stalled peace talks.

More political killings in Spain

BY ROBERT GRAHAM IN MADRID

THE SPATE of politically motivated violence in Spain continued unabated over the weekend. Two paramilitary policemen were killed by bombs and two further were badly injured in incidents in the Basque country.

Brezhnev visit seen as 'warning'

BY PAUL LENDVAI IN VIENNA

THE SURPRISE visit of Mr. Leonid Brezhnev, the Soviet President and party leader, to Bulgaria is regarded by diplomatic observers in the Balkans as an expression of support for Bulgaria's staunchly pro-Soviet leadership and as a warning to Yugoslavia and Romania.

Chirac assured of party loyalty

BY ROBERT MAUTHNER IN PARIS

THE GAULLIST PARTY, which has been split in recent weeks over European policy and M. Jacques Chirac's leadership, has once again managed to paper over the cracks in its ranks.

Plan for French wealth tax rejected

BY TERRY DODSWORTH IN PARIS

PROPOSALS FOR the creation of a new wealth tax in France have been rejected by a three-man commission of experts which has been looking into the question since last July. The team suggests that a much better way of raising money from the country's rich would be to revise and increase inheritance taxes.

whom expressed support for Ayatollah Khomeini, the exiled religious leader, were Dr. Karim Sanjabi, head of the opposition National Front Party and Ayatollah Taleghani, one of the radical religious leaders closest to Khomeini.

Canada to resume aid to India

By K. K. Sharma in New Delhi

HAVING AGREED to disagree on the nuclear issue, Canada and India are now set to resume and expand normal economic relations. Canada is to resume the industrial aid which was cut off when India exploded a nuclear device in the Rajasthan Desert in 1974.

Pepsi-Cola in Bulgaria deal

By Paul Lendvai in Vienna

UNDER THE terms of an agreement signed in Sofia between Pepsi-Cola International and the Bulgarian state-foreign trade agencies, Bulgaria will buy Pepsi-Cola and two plants will be built in the cities of Stara Zagora and Turgovishte to bottle the drink.

Road haulage group in Sudan

By James Buxton

A new specialised road haulage company with a one-third British stake is being formed in Sudan aimed at bypassing one of the country's worst bottlenecks—the transport link between Port Sudan and the productive inland areas of the country south of the capital, Khartoum.

Bolivia's Argentine sales

BY HUGH O'SHAUGHNESSY

BOLIVIA IS expected to increase natural gas sales to Argentina from 150m cubic feet a day to 220m and an Argentine mission is going to negotiate the increase in La Paz this week.

W. Berlin lures the big names

BY LESLIE COLLITT IN BERLIN

DESPITE HISTORICAL fears about the political risk attached to investing in West Berlin, a Western outpost 110 miles inside East Germany, the city is attracting long-term investment from some of the most prestigious West German and foreign companies.

GERMAN INVESTMENT

W. Berlin lures the big names

BY LESLIE COLLITT IN BERLIN

border controls have been reduced to a minimum by the Four Power agreement. West Berlin's financial incentives have long been used by a number of well-known West German and foreign companies located in the city.

Daimler-Benz is about to spend DM 100m (\$64m) in West Berlin over the next four years while Bosch is expanding there at a cost of DM 35m. Siemens is putting in DM 12m after investing DM 1bn in Berlin over the past seven years.

The underlying reason for the upsurge in investment in West Berlin is that the city's long-term future is seen to be guaranteed by the 1972 Four Power Berlin agreement. West Berlin, in addition, is unabashedly offering Germany's most lucrative subsidies and tax preferences to make up for its geographical disadvantages.

Even its location is now being overcome as the reconstruction of the Berlin-Helmstedt autobahn reduces the driving time to West Germany to little more than two hours. A new autobahn is to be built to Hamburg that will also reduce the trip between Germany's largest cities to two hours.

Snags in GATT talks on Government buying code

BY BRIJ KHINDARIA

TALKS IN Geneva on an international code to regulate purchasing policies of governments, which is part of the overall Tokyo round trade package, are turning out to be thornier than expected because of last-minute arguments.

The novel code is an important element in the Tokyo round attempt to remove non-tariff barriers to trade because its aims are to prohibit discrimination against foreign enterprises by government purchasing authorities. The draft text as it stands only partly meets these goals.

Swedish forest finance plan

BY WILLIAM DUFFORCE IN STOCKHOLM

MR. NILS AASLING, the former Swedish Industry Minister, has proposed the establishment of a joint financing institute for the pulp and paper companies owned by the Swedish forest owner co-operatives.

SHIPPING REPORT

Caribbean rates nearly double

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

POLITICS in Iran, strikes, and bad weather in Europe have not had sufficient to weaken what in most departments is a fairly steady market.

Tanker rates in the Gulf are pretty well static at depressed levels, with 41 ships still reported by brokers. E. A. Gibson is to be waiting off Iran at the end of last week.

One oil company has, however, moved its ships out of the quiet and the fact that there are now more than 30 tankers waiting to load at Ras Tanura, Saudi Arabia, suggests that

A long standing argument over the threshold at which the code's provisions would become applicable is likely to be resolved by a three-tier system under which purchases up to 100,000 special drawing rights (SDRs) would be kept outside the code's scope, procurements of between 100,000 to 500,000 SDRs would come under provisions requiring non-discrimination against foreign suppliers, and purchases worth more than 500,000 SDRs would be ruled by additional provisions, prohibiting discrimination in favour of home companies.

The main obligations imposed by the code would be equal treatment for all foreign suppliers, and in the case of large purchases treatment of foreign suppliers on a par with domestic enterprises.

The U.S. has asked that the name of the winning bidder and the size of his bid should be published after the contract is awarded to ensure transparency but other countries feel that this

could lead to collusive bidding for future tenders. A likely compromise is a commitment by the purchasing government to promptly supply the winner's name on request to the losing bidder.

Development countries have raised a last-minute argument over a key element. They are asking that they should be exempted from a provision which would prohibit the laying down of pre-conditions for the bid's acceptance, such as the granting of an offset or the licensing of new technology.

for so much money that no single interest group can manage it. The job must be co-ordinated by the state. Solving the largest of the forest owners' concerns has been resisting Mr. Aasling's attempts to arrive at a comprehensive solution either through merger or by means of a common financial organisation.

Sodra's managing director, Dr. Lenhart Schotte, has pointed out that his company is back in profit, although it is still seeking partners for its new SKR 20m pulp and paper project at Moensteras.

dry cargo rates remain fairly steady and in the sale and purchase sector there were no significant movements in prices last week, although there was a

surge of interest from Greek buyers in intertypes and tween-deckers.

Lambert Brothers' final monthly report for 1978 shows that during the year there was an 8 per cent increase in the total volume of secondhand tonnage sold, compared with 1977.

Prices bottomed out in the first quarter and by last month were 60 per cent better than January levels.

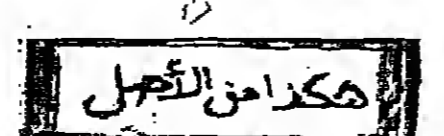
Lambert expects the market to remain fairly stable in 1979, with a continuing high level of scrapping.

Prices bottomed out in the first quarter and by last month were 60 per cent better than January levels.

Lambert expects the market to remain fairly stable in 1979, with a continuing high level of scrapping.

World Economic Indicators

Table with columns for Country, Retail Prices (Dec 78, Nov 78, Oct 78, Dec 77), and % change over previous year. Includes UK, W. Germany, Holland, France, Italy, Belgium, and U.S.



White Paper likely to project 2% increase in spending

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN INCREASE of about 2 per cent in the volume of public spending in 1979-80 above the planned level for the year is expected to be projected in the annual Expenditure White Paper to be published on Wednesday.

The White Paper will contain a much longer and more detailed discussion of the medium-term prospects for the economy and the constraints on the growth of expenditure than in previous years—in particular, examining the influence of variations in pay, productivity, sterling and the balance of payments.

In the short-term, the White Paper is expected indirectly to underline the limits on the Government's freedom of manoeuvre in the budget, whatever happens now on the pay front.

Medium-term expenditure and revenue projections are likely to be placed alongside each other, but there will probably be no change in estimates of public sector borrowing for 1979-80 from the £8.5bn figure disclosed two months ago.

Otherwise, the main City interest will be in the extent of underspending in the current financial year, and hence in the increase in projected expenditure for 1979-80 not merely above the planned level for 1978-1979 but also above the expected outturn for the year.

It is likely that any under-

spending in 1978-79 will be much smaller than last year and hence the underlying increase in expenditure may be only slightly more than 2 per cent.

The latest published evidence indicates that spending covered by cash limits, around two-thirds of the total, has been running between 1 and 2 per cent below the ceiling though other spending, notably on debt interest and discretionary payments such as social security benefits, has been more buoyant.

In addition, there is a lengthy list of major economic indicators due to be published this week, headed by the trade figures this afternoon. City analysts generally expect that the current account will have improved in December on the deficit of £72m reported for the previous month; the January figures will naturally be distorted by the current industrial troubles.

Other statistics include retail sales for December (due this afternoon), average earnings and basic wage rates (due on Wednesday), and mid-December money supply, fourth quarter consumer spending and November industrial production (all due on Thursday).

Overall these figures will be examined to see whether the rate of economic expansion had begun to slow by the end of last year, though inevitably they will be overshadowed by current pay disputes.

Foundries to receive £400m. 'last boost'

BY ROY HODSON

BRITISH foundries have not fully recovered from the 1975-76 slump but the non-ferrous companies are in a much stronger position than the troubled iron founding sector, according to two surveys by Inter Company Comparisons.

The situation in iron founding is described as "rather depressing." The industry is seen as having too much capacity competing for too few orders, with subsequent erosion of profit margins.

Capital investment in iron founding in the three years up to October 1977—the period covered by the surveys—tended to be lower than it could have been.

According to estimates about £400m will be invested in the industry by next year as the result of the boost given by the ferrous foundry aid scheme. But the surveys see that investment as a "once and for all boost."

If continuing investment in ferrous founding was to be secured, the industry would need to move to a higher added value product. Profits were considered inadequate to cover future investment.

The ferrous industry's main customer was the car industry. The upturn in demand in the vehicle market was largely being met by imports.

Unless British car manufacturers could increase their market share, there would be no real improvement in business from the car-makers for the foundry industry.

Two-fifths of the iron castings were used by Ford and Leyland. The tractor market was another important customer. There were no signs of an upturn in the worldwide recession in the tractor market.

The National Economic Development Council had suggested that the ferrous foundries should aim to export 15 per cent of their production, but only 13 foundry companies exceeded that figure in the years surveyed.

Of the top five exporters, three were not profitable or were actually making losses. Slow stock turnover and relatively long credit periods were two adverse factors.

The non-ferrous foundries showed a turn-around after the 1975-76 slump and improved sales values by 24 per cent in 1978-77. Profit margins were also up by 15 per cent and the average return upon capital improved by 32 per cent.

The surveys are sceptical whether the non-ferrous founders' recovery will last.

Insurance choice for home buyers

By Michael Cassell, Building Correspondent

THE RIGHT to change insurance companies during the term of a mortgage is to be extended to all house buyers from today.

New borrowers have been able to exercise a choice of insurance on their property since 1975 and existing home owners will now be able to do the same, following talks between the Office of Fair Trading and the Building Societies Association.

Borrowers will now be able to choose from at least three insurance companies or to propose a different insurance company of their own choice.

Any company proposed by a borrower will have to offer cover equivalent to that provided by the companies suggested by the society.

The society will also be able to reject any company which it feels unlikely to provide an adequate service or which will not undertake to keep the society covered if the borrower fails to pay a premium.

Traditionally, the society has required the borrower to insure with a company which it nominates.

Mr Gordon Borrie, Director General of Fair Trading said yesterday: "The societies are to be congratulated on their willingness to offer borrowers a wider choice of insurance than they have had previously."

Oil industry forms group to promote onshore interests

BY KEVIN DONE, ENERGY CORRESPONDENT

OIL COMPANIES involved in refining, distribution and marketing in the UK have formed a trade association to improve the industry's contact with Government and other organisations.

It has come under pressure from Mr. Anthony Wedgwood Benn, the Energy Secretary, in recent months to form a representative association, which could take a full role in tripartite discussions with the Government and the trades unions on oil industry affairs.

"The Government" was concerned in particular during its run with the EEC Commission over a European oil refining policy, that the UK oil industry lacked a single representative voice.

Oil companies with refining and distribution activities are represented now only by the Petroleum Industry Advisory Committee, a body established shortly after the Second World War solely to offer advice to the Government.

The initial members of the new association will be British Petroleum, Shell, Esso, Gulf, Mobil, Chevron, Texaco, Total, Conoco, Petrofina, Phillips, Burmah and Amoco.

Government and other organisations.

Government and other organisations.

Gilt-edged market expects acceleration of inflation

THE GILT-EDGED market is moderately gloomy about the prospects for the UK economy this year though cautiously optimistic about interest rates, according to a survey of market opinion conducted by stockbrokers L. Messel and Co.

The survey among brokers and investors in the gilt-edged market was based on 241 replies, which had to be sent in by January 5, before the full extent of the present industrial troubles was known.

The results show that most expect a slight acceleration in the rate of inflation this year.

About 85 per cent expect a rise in earnings of between 11 and 15 per cent in the present pay round and nearly 70 per cent expect retail prices to rise by between 9 and 11 per cent this year.

Just under two-fifths of the sample expect sterling (now \$1.996) to be between \$1.90 and \$1.99 on December 31, and a slightly smaller proportion expect the rate then to be between \$1.90 and \$1.99. Nearly 85 per cent believe the trade-weighted index, now 63.3, will be between 60 and 64 by the end of the year.

The survey reveals a wide-spread belief that the Government's money supply targets will be met, though with an increase nearer the top than the bottom end of the 8 to 12 per cent target range. Just over half expect the public sector borrowing estimate for 1979-80 in the Budget to be between £8.5bn and £9.5bn.

But gilt-edged investors are slightly more cheerful about the outlook for their own market. The average estimate for Minimum Lending Rate, now 12½ per cent, is about 10 per cent in a year, while gilt-edged yields are also expected to decline, giving capital gains of more than 5 per cent.

Nearly 45 per cent of the sample think that the General Election will be held between April 1 and the end of June and a quarter believe that the election will be by the end of March.

More than a half expect a "bung" Parliament, though nearly 70 per cent believe that there will be a Conservative Government.

In the new quarterly economic review of brokers J. and A. Scrimgeour, Mr. Michael Posner, a former senior official economic adviser and Cambridge economist, says that the consequences of another 14 per cent wage round must mean a fall in the sterling exchange rate quite soon, an erosion of the UK's competitive position and an extra flip to domestic inflation.

Mr. Posner maintains that the effects of monetary policy work through very slowly and that the low growth in the money supply cannot affect present wage negotiations.

He sees the health of the gilt-edged markets during the next few months as being closely linked to the course of wage settlements and earnings growth.

If the Confederation of British Industry's estimates of an 11 per cent round were fulfilled interest rates at the long-end could fall.

In another recent broker's circular, Phillips and Drew has said that money market conditions are likely to be tight this month, but the authorities will probably nudge any further rise in Minimum Lending Rate even if U.S. rates move to yet higher levels.

Brokers Joseph Sebag and Co. suggest that the eventual pay outcome in the present round will still be roughly 12 per cent.

Manual staff receive 'lower sick benefits'

BY ERIC SHORT

THERE IS still a wide differential between sick pay benefits for manual workers and for non-manual employees, according to a survey by the Institute of Personnel Management.

The study analysed the sick pay provisions of 35 companies. It found that the level of cover was low for manual employees, even in companies where sick pay for non-manual employees was generous.

It also found that non-manual employees normally received their full salary with a deduction for National Insurance sickness benefits, although the periods over which such payments were made varied. Manual workers, in contrast, received lower benefits payable over shorter periods.

Only one company paid the same benefits for both categories of employees. A further 19 had different schemes in which manual workers were treated less favourably—some markedly so.

The remaining 15 companies had no sick pay scheme for manual workers. The findings disclosed that differential treatment still existed in spite of trends in present thinking towards a single status for manual and non-manual employees.

The survey pointed out that improvements in pay schemes were one of the few exemptions permitted under Stage Two of the pay policy. As a result, many employers had taken the opportunity to review their schemes.

But since August 1977, trade union negotiators had once again concentrated on wage increases and productivity, and were ignoring non-monetary job security measures.

Sick Pay Scheme, by Alison Jago, from the Information Department, Institute of Personnel Management, Central House, Upper Woburn Place, London WC1H 0HX; price £5, plus 30p postage.

New P&O ship to visit UK

P&O CRUISES' new 27,000-ton cruise liner, Sea Princess, will call at Southampton on Wednesday on her way from Bremen, Germany to Australia, where she will operate year-round cruises from Sydney.

Sea Princess is the last passenger liner to be built by John Brown on the Clyde. She was bought from Flagship Cruises of New York in September.

Ceefax extended

THE BBC's Ceefax operation is being extended until midnight starting today. An extra hour is added to the television news service.

CONTRACTS GEC Industrial Controls receives £1m order

GEC INDUSTRIAL CONTROLS has an order worth over £1m from the British Railways Board for the dismantling, refurbishing and re-installation of 230 dc high speed circuit breakers, and for the provision of modern control equipment and auxiliaries.

DOBSON HYDRAULICS has received three orders worth over £150,000 for Dobson demountable body equipment.

VICKERS' FLUID POWER at Swindon has an order worth over £500,000 from the Property Services Agency to manufacture hydraulic test installations for aircraft servicing at RAF Cottesmore and the RAF maintenance unit at St. Athan.

JAMES CLARK AND EATON of Bracknell, Berks, has won a contract worth more than £250,000 for the supply and installation of glazing units at the Saudi Arabian monetary agency bank in Riad, Saudi Arabia. The order was placed by Lang Winney-Altreza, Saudi Arabia.

TOLLTRECCK, Droitwich, shipped a £20,000 mould train for a secondary lead smelter over £500,000 from the Property Services Agency to manufacture for casting bullion and slag.

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UK NEWS - LABOUR

Shipyard unions vote on pay plan this week

BRITISH SHIPBUILDERS' would mean all negotiations... Representatives of shipyard workers in TASS...



Mr. William Rodgers, Transport Secretary (arrowed) meets Emergency Committee chairman and Government officials.

Dispute cripples industry

OPTIMISM WAS scarce among many manufacturers yesterday as they faced another week of heavy picketing at docks and outside factory gates.

In Newcastle, small companies have been forced to close today as raw material supplies ran out. Heavy picketing continued over the weekend...

Power engineers give pay action warning

ENGINEERS in the electrical power industry gave a warning yesterday that they were no longer prepared to set aside pay agreements reached in the past because of the Government's fight against inflation.

Water dispute hits 2,000 homes. ABOUT 2,000 homes north of Manchester were without water last night as a result of the dispute involving 400 maintenance workers in the Pennine division of the North West Water Authority.

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Table with columns for Coupon Debentures of \$1,000, Principal Amount Outstanding, and various numerical values for different denominations.

LEGAL NOTICES. In the HIGH COURT OF JUSTICE... NOTICE is HEREBY GIVEN that a Petition was presented to the High Court of Justice on the 3rd day of January 1979...

THE LIST OF APPLICATIONS WILL BE OPENED AT 10 a.m. ON WEDNESDAY, 17th JANUARY 1979 AND WILL BE CLOSED AT ANY TIME THEREAFTER ON THAT DAY.

12 per cent TREASURY LOAN, 1983

ISSUE OF £950,000,000 AT £97.25 PER CENT PAYABLE IN FULL ON APPLICATION (nearly £97.25 for every £100 of the Loan applied for) INTEREST PAYABLE HALF-YEARLY ON 17th MARCH AND 17th SEPTEMBER

THE MANAGEMENT PAGE

DAVID FISHLOCK reports on the background to Fairchild Industries' new stake in data processing

A top U.S. aircraft maker spreads its wings

FAIRCHILD INDUSTRIES of Maryland—not to be confused with Fairchild Camera, the West Coast microelectronics company, although the same man started both in the 1920s—is one of the most profitable aircraft companies in the U.S. This is the claim of Mr. John Dealy, its president and the driving force behind a major diversification into new areas of electronics. His latest venture, last week was the acquisition of a 20.6 per cent stake in Bunker Ramo, a U.S. electronic data processing group which is almost as large as Fairchild, with hints that this could be the first step to a merger. Four months ago Fairchild set up a joint venture with Marconi Avionics, a GEC company, to provide a new overseas outlet for its miniature TV system for pilots.



John Dealy at Farnborough with model of Fairchild's Thunderbolt 2

Ashley Ashwood

Neglected to invest

For Fairchild, the years between 1963-76 were, to quote Dealy, "relatively flat" for sales. Primarily a defence subcontractor, it had nevertheless neglected in the 1960s to invest in the development of a major new weapon system, and was paying the price. The lead-times in this, as in other sectors of advanced technology, are long. But a substantial company investment in the 1970s in a U.S. Air Force competition for a new front-line support fighter plugged this gap. Fairchild beat Northrop, and then Ling-Temco-Vought, in the battle for the A-10 contract, for which the Air Force has a basic requirement for 732 aircraft. It went into volume production in 1977. The first of these new high-performance fighters—now known as the Thunderbolt 2—is to be stationed in Britain and scheduled to arrive any day now.

subcontractor to government—it had to have its own technology to sell. Rich as the Thunderbolt contract is to the company, providing two-thirds of its sales of about \$500m last year, it is still relatively short-lived; the present contract should be completed within four years. Dealy has set out to build a group with three quite different platforms: aerospace, satellite communications, and an industrial product business in such spheres as industrial and other control systems. Ideally, he says, he wants to see each sector contributing one-third of the profits. "And we have the projects under way to accomplish this." He is also making big capital investments—\$20m or more in the last year, three or four times as much as it was investing in the mid-1970s.

In aerospace, the plum contract is unquestionably the Thunderbolt, where Fairchild has responsibility for "every bit of the airframe and some of the avionics." It is worth \$3m out of each \$5m aircraft, with the balance going mostly to General Electric for its engine and gun. Winning this contract, says Dealy, has given Fairchild the chance to regroup and rebuild its engineering staff and in-house technology.

Beyond the basic US Air Force requirement, Dealy sees two possibilities for further business. One would be foreign sales—and here he has been

FAIRCHILD INDUSTRIES 1977 SALES*

Table with 2 columns: Category and Sales (\$m). Categories include Aircraft and parts, Space and electronics, Domestic (U.S.) communications, Commercial broadcasting, Industrial products.

* 1978 sales not yet audited, but expected by U.S. analysts to exceed \$600m

offering European nations three options—an off-the-shelf fighter, a Fairchild derivative, or a joint venture with Fairchild to meet the customer's needs. His strongest card, he says, is the reason why the Pentagon itself chose the Fairchild fighter. This was because the company had designed a machine for minimum maintenance costs—the lowest, he claims, for any U.S. front-line fighter.

He believes that the Pentagon may want a second-generation Thunderbolt, and he has committed more than \$10m of Fairchild's cash to develop a two-seat version, with the second seat occupied by a man responsible for the avionics. With the latest radars and night-sight sensors, he says, it would be equipped to seek "targets of opportunity" at night and in the worst kinds of weather. By mid-summer he hopes to have an "evaluation vehicle" flying. "The technology is there—it's just not been tied together, especially in the cockpit display area. We have to give the pilot a display he feels confident about."

Military aircraft apart, Dealy is pleased with the returns he is getting from a substantial Fairchild investment in commercial aircraft. It bought Swearingen Aviation—marginally profitable—in 1972, and found itself part of the fastest-growing segment of the commercial aviation business, commuter airliners. For example, its 18-seater Metro II turbo-prop picked up three-quarters of the U.S. business in its market sector in 1977-78.

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assured of fast and accurate transmission. Platform number three consists of a diversity of industrial products, many exploiting advanced technologies—computing and cryogenics (extreme cold) for example. At present much of this sector is concentrated in the industrial products division, which makes a broad variety of mechanical, electrical and pneumatic control devices and systems. In addition Fairchild is making cryogenic valves for the U.S. space programme, small computers for aircraft, and automated systems for data acquisition.

Broaden the business base

When Fairchild speaks guardedly, as it did last week of looking on its acquisition of stock in Bunker Ramo as an effort to broaden the business base of the company, it has in mind primarily a strengthening of this third sector of business. Bunker Ramo, based in Illinois, is essentially an electronics systems company, with activities ranging from a company that manufactures electrical connectors to such technology as information systems and services for financial operations and specialised electronic systems for research centres. It also boasts textile technology for the manufacture of knitted garments and carpets.

A glance at the accompanying table seems to say that Dealy still has a long way to go before profits from his three designated platforms are in balance. American Satellite, a long-range investment, lost money in 1976 and 1977. Sales of industrial products are minuscule compared with the aircraft sector. But, stresses John Dealy, "the less visible parts of the company are very profitable." Pneumatics alone, for example, made \$2m pre-tax profit in 1977 on a turnover of only \$7m. Nourished by his evident enthusiasm for making profits out of advanced technology, Bunker Ramo may flourish in association with Fairchild.

Sophisticated services

As a result, it can provide some highly sophisticated communications services, with high-speed computers talking to one another across the nation in real time. Its customers include NASA, for which it links the Washington headquarters with Cape Kennedy in Florida; the U.S. Air Force, for which it provides a national weather service; and such companies as Boeing and Sperry Rand. In this way, different parts of far-flung companies can share a common data bank and be

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

A complex covering so vital to survival

ONE OF our most intimate possessions is a flexible, continuous covering which, as well as being a complex barrier, performs complex functions vital to survival. I refer to a word which is as polite as it is prosaic—the skin.

Unlike that somewhat crude structure the heart, skin is important to survival and difficult to replace if destroyed. But men pay scant attention to it until it falls victim to some unsightly affliction; and many women use parts of it as an asset for a variety of paints and potions in an attempt to enhance perfection.

It has many functions. It protects the body from invasion and yet prevents the loss of vital body fluids and chemicals, thus helping to regulate the internal environment. Foreign bodies, whether solid or fluid, are kept out. Light is screened and if the "sun-worshipper" lies too long in the sun, a tan, due to the mobilisation of melanin, is produced—this is not for beauty but to stop the owner damaging himself. The skin helps to supply vitamin D and, through the activity of its sweat-glands, and by the complicated regulation of a dense system of small blood-vessels, it is an essential factor in the regulation of body-temperature.

It faithfully records touch, temperature and pain. Appendages, such as hair and nails have lost much of their importance they retain in animals—yet the hairs are still valuable as sensory indicators and very valuable on the beard as protectors against ultraviolet light. Bald men should not go hatless under a fierce sun.

Jocularity and cynicism

Despite our blasé attitude to the skin when all is well, any disturbance or eruption causes much dismay, and most general practitioners will agree that dermatitis of various kinds figures in the top three of the first division of common complaints.

Dermatology as a speciality has always caused some jocularity and cynicism among other doctors. And dermatologists



have always suffered (albeit in comfort) many verbal stings and arrows. An ancient adage has it that they have the best of every world because "they are never called out at night; their patients rarely die and yet seldom get better," which is all very cruel and largely untrue.

As for treatment, whereas nowadays there are numberless nostrums available, at one time it used to be said that methods were very simple and included rules such as: "if it is wet—dry it; and if dry—wet it" as well as others concerning interesting colour-schemes.

I suffered some of the latter when I was at boarding-school. Somehow or other I contracted impetigo, a nasty eruption usually due to bacteria, not dirt as some still think. Fortunately another boy caught it and we were delighted to be banished to the sanatorium. The school doctor and the matron were deadly rivals when it came to treatment. Each swore by his or her method. Thus I, at the hands of the doctor, had my face painted a charming shade of purple; while poor Sam had to suffer a phasty green dye from Matron's paint-brush.

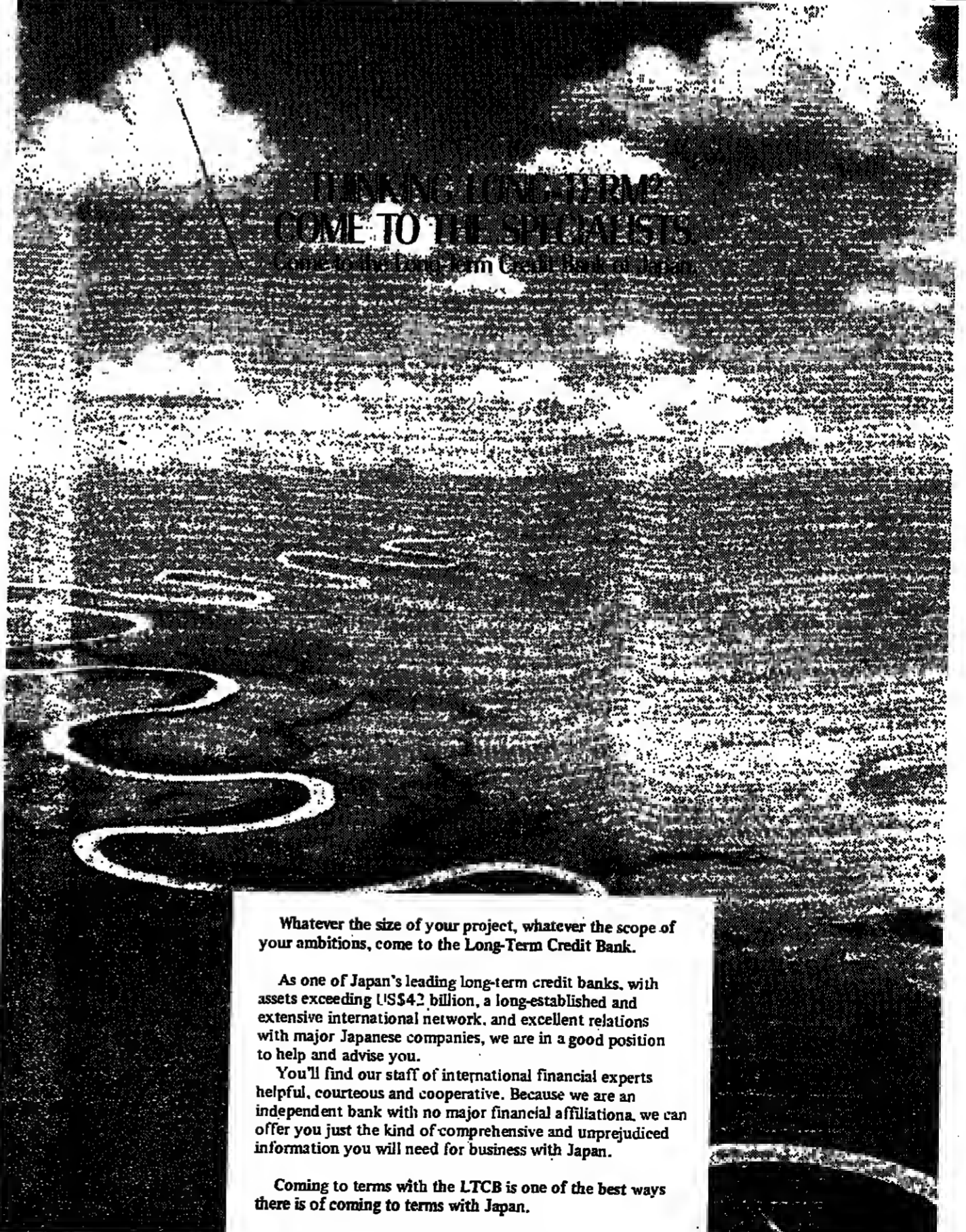
Each day we were carefully inspected by the rivals looking for the slightest advantage in their respective methods. Neither won because, to cur

eternal shame, I must admit that, by diligent digital interference, we spun the disorder out for six glorious weeks, until we suffered spontaneous cures on exactly the same day.

There are innumerable skin disorders and many are disturbing and depressing. To a pretty girl, pneumonia (which excites sympathy) is a far preferable disease to acne because most cases can be cured easily. Besides, acne does not excite the compassionate and tends to repel the passionate. Thus, to the physical problem, powerful psychological traumas may be occasioned, a situation full of disadvantages.

The callous or careless

But acne and most skin disorders can be cured or alleviated by a caring and persistent physician. None has ever been despatched by the callous or careless with such remarks as: "you'll grow out of it"; or "it's very common"; and worst of all, "you'll just have to live with it." No, to a spotty girl of 28 or to an equally marred young executive who has been suffering for years, such comments do not produce felicitous and may actually alter the course of life.



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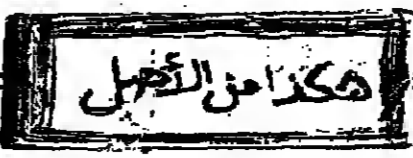
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THE ARTS

Covent Garden

Don Pasquale

by MAX LOPPERS

The rest is uneven, but at the centre of the current Don Pasquale revival are two incomparably fine performances—Geraint Evans of the title role, Elena Cotrubas of Norina.

After a slightly tremulous start, Cotrubas's tone soon filled out and cleared in a way to make one fall in love with her all over again.

With each revival Sir Geraint has grown more surely into the part of an elderly bachelor, cut along antique lines, economical, credulous, obstinate, a good fellow at bottom.

Between the two, the play flashed and sparkled, holding the sympathies of the audience in a just and precise balance.

Purcell Room

Young Artists

by NICHOLAS KENYON

This year's invaluable Park Lane Group series presenting young artists in 20th-century music has not had a week-long theme to match last year's exploration of Richard Rodney Bennett's chamber works.

And Baillie's account was at all points deeply considered; he never untraced himself technically nor took refuge in surprise brilliance.

Baillie, a slightly introverted figure on the concert platform, given to parting his cello-deprecatingly during the applause, projected Connolly's Venetian C with perfect poise, mixing accuracy with harmonic attack, rhythmic skittishness, with plangent sustained tone.

The evening's other work by Justin Connolly was his marvelous 1966 Cinquages for brass quintet. The five girls (occasionally or didactically?) of the Gallina Quintet never quite succeeded in matching its stature.

In this piece, it was easy to judge him an outstanding talent. Earlier, in Britten's Third Cello Suite, it had been more difficult to put aside memories of Rostropovich's compelling performances of the work.

The Gallina Quintet also presented the evening's new work, The Red Fox Burning, by Rupert Scott. Except in that it did not begin to live up to the fiery passion of its Dylan Thomas title, this was a cheerful, satisfying work.



Geraint Evans and Jonathan Summers

Teatro la Fenice, Venice

Il trovatore by MAX LOPPERS

This great and important theatre—is there another in the world more enthralling to arrive at, more beautiful to be in, more comfortable for the major part of the operatic repertoire.

relying on the artistic counsel of a former Fenice musical director, the conductor Ettore Graess, Bagnoli had already mapped out a season.

serious, musically and, in the final rising phrases of "Prima che ad altri," very beautiful. (Earlier, the voice was not always as sure in flow as its use implied.)

And as a whole, the evening added up to more than just "another" Trovatore. Hearing Verdi in a theatre that gave birth to four of his operas must always be a little unlike other Verdi experiences.

But internal troubles in the theatre had already been simmering for some while, and had already led to the forced resignation of the composer Sylvano Bussotti, for three years the theatre's highly controversial artistic director.

In the circumstances, the level of competence reached by the Trovatore that opened the season last month seemed something of a miracle.

Other operatic events are Britten's Church Parables Curlew River and Burna Fivru Furnace presented by English Music Theatre and Peter Maxwell-Davies' Morryrdom of St. Momus performed by the Fires of London.

New works receiving first performances include William Alwyn's song cycle A Yearning, sung by Anthony Rolfe Johnson; a setting of Neruda's poetry by Daniel Welcher performed by Jan da Gastani; a work by Alan Hoddinott for the Pendry Male Choir; and Walton's Façade II, settings of poems by Edith Sitwell left unfinished at the time of the original Façade and now completed, with Peter Pears as reciter.

Greenwich

Da by MICHAEL COVENEY

Hugh Leonard's affectionate, beautifully written play was a highlight of the 1973 Dublin Festival and reviewed again on this page in July 1977 when presented at the King's Head.

The play steals carefully upon us, building a memorably detailed but critical portrait of the old man through a subtle compilation of reminiscent flashbacks.

Mr. Doyle plays Charlie Now, providing sharp footnotes to the domestic squabbles of both his later life and his memory of existing as Charlie Then (Mike McCabe), a likeable teenage whose literary bent is threatened by an unsympathetic step-mother (Mary Chester).

includes good work from P. G. Stephens as Charlie's first, exasperating employer and from Kevin Moore as a goofy contemporary, proudly extolling the virtues of elocution classes in a thick Dublin brogue.

Stephen Joseph, Scarborough

Sisterly Feelings

by B. A. YOUNG

The family is introduced in the first of four scenes, led by Ralph, their half-senile father, to see a corner of Pendon Common where he proposed to their mother.

such affairs, displayed by the author with affectionate hatred. Whatever the consequence, it will be overthrown in Scene 3.

The family contains two daughters, Abigail and Dorcas, and an unattached young man, Melvyn, with their several attachments.

Whatever course events take, their sequence is happily logical. Events in Ayeckbourne always proceed logically, if not wisely or even predictably; it is his firm adherence to possibility that makes his plays so funny.

The fourth scene is similar, only the occasion is a wedding instead of a funeral.

The playing, directed by the author, has the quality of genuine observation that is so important in acting his plays: even Robin Murphy's wet Stafford is within the bounds of likeability.

Elizabeth Hall

Shirley-Quirk

by NICHOLAS KENYON

John Shirley-Quirk made a game of his selection of Rakhaninov's songs for his contribution to the current Mainly Slav series, and performed them compellingly.

the sequence an absorbing experience. One sees his voice, as it were, through a glass darkly—but this suits perfectly the withdrawn despair of so many of the songs.

Yet the later songs do not quite realise the varied emotional promise of the early work. The Pushkin setting Op 4 No 4 has a perfectly controlled wistfulness, which is articulated with features which sound genuinely Russian—augmented intervals, powerful vocal recitative with sudden flourishes.

The first half of Thursday's concert was something of an embarrassment. Shirley-Quirk delivered Ravel's delicious Histoire Naturelle with something of the same heaviness which was so effective later, doubling their precise bournour with a solidly sustained vocal line.

Arts Council music forum in London

The Arts Council is to hold a public forum on The Arts Council and Music at 105, Piccadilly, London W1 on February 14 at 6 pm.

SPORT

SOCCER by TREVOR BAILEY

Liverpool can contain Albion's bid

THE NEW leaders of the First Division are West Bromwich Albion, taking over from Liverpool, who have topped the league since the start of the season.

Southend gave everything, and it says much for the calm of the Liverpool defence, which looked less likely to concede a goal the longer the game went on.

The goal-hungry Albion, have adopted a positive 4-3-3 formation for both home and away matches. Their front line, of Regis, Alistair, Brown and Cunningham is frequently reinforced by Tony Brown always coming forward into scoring positions.

This play was less successful than usual against a spirited Norwich using a sweeper. On Saturday, especially after half-time, West Bromwich were less impressive in midfield than usual.

TENNIS by JOHN BARRETT

Young Americans win pairs title

JOHN McENROE and Peter Fleming, the young Americans, established themselves as the top pair in the world when they captured the Colgate Masters doubles title, worth \$40,000, at Madison Square Garden on Saturday night.

In a mere 91 minutes, and in spite of some reckless behaviour from someone who threw marbles on to the court, they repeated their Wimbledon semi-final victory over Tom Okker of Holland and Poland's Wojtek Fibak, 6-4, 6-2, 6-4, having earlier avenged themselves 6-1, 6-4, against Bob Hewitt and Frew McMillan, the South African pair who had beaten them in the Wimbledon final.

In addition, the doubles matches are often played at night, which can pose further problems for someone due to play an early singles the following day.

Although at 19, McEnroe is still eager enough to play singles and doubles (he is the first player since doubles was introduced to the Masters at Stockholm in 1875, to appear in both finals), he will doubtless be forced to curtail his doubles appearances simply by the pressure of his success in singles.

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Monday January 15 1979

Survival is not enough

WHEN MR. JAMES Callaghan, the Prime Minister, declined to go to the country last autumn, he took a double risk...

Decision

As Parliament resumes after the Christmas recess today, the prospects are that the Government can survive at least a little longer...

The Government also looks safe enough for a while on the Nationalist front. Both the Scottish and Welsh parties want the referendums on the creation of separate national assemblies to take place...

Time for decision will, therefore, come as soon as the referendums are out of the way, and it is here that one returns to Mr. Callaghan's second gamble...

New faces in Congress

DURING HIS first year in office President Carter got a poor Press for his evident failure to establish a good working relationship with Congress...

On the other hand, the new Congress is a good deal less predictable than its predecessor. For one thing, there were a great many upsets at the polls...

Unfamiliar

On the other hand, the new Congress is a good deal less predictable than its predecessor. For one thing, there were a great many upsets at the polls...

Notably, the congressional attitude to President Carter's head anti-inflation policy is likely to shift in line with the performance of the economy...

A glimpse of some of the changes the next Budget might contain

BY DAVID FREUD

THE TIME of the annual Budget jamboree is fast approaching, when the Chancellor will be assailed by an endless stream of unsolicited advice on taxation and public expenditure...

The overall shape of the Budget will depend on how the Chancellor manages to balance the various economic and political pressures. Nevertheless, even at this early stage it is possible to forecast, with fair reliability, some of the contents of the Budget and accompanying Finance Bill...

This is because large parts of the Bill are not fiscal measures designed to control the direction of the economy, but tax management devices devised mainly from a continuing dialogue between the Inland Revenue and interested professional bodies...

During the past two months such bodies as the Confederation of British Industry, the Consultative Committee of Accountancy Bodies, the Institute of Taxation, the Association of British Chambers of Commerce and the Law Society delivered their recommendations to the revenue...

After these have been digested Inland Revenue officials begin in the New Year to prepare "Budget starters," rough outlines of proposed changes in legislation. These are sent up to ministers and if approved in principle are formally prepared by Parliamentary draughtsmen...

When this process is completed a decision is taken whether to mention the change in the Budget speech, delivered by the Chancellor, or to unveil it as an Inland Revenue press release on Budget day...



Hugh Routledge, Chief Secretary to the Treasury

Eligible for relief

The revenue is understood to be sympathetic to the recommendations, especially as changes should cost relatively little. Furthermore, the revenue breached the capital-revenue distinction for the first time in November, when it announced that it would give relief to mining companies for expenditure incurred on unsuccessful planning permission applications...

However, Ministers may be more sympathetic to giving allowances to new commercial buildings at 8 per cent a year, as the CBI is pressing for. This would cost only £100m in the first year rising to £200m-£300m in the third...

One forecast that can be made with reasonable certainty—unless there is a change of Government—is that the stock relief scheme first introduced in 1974 will be extended. In his last Budget speech Mr. Healey said that if a permanent scheme was not ready he would write off the relief for the first two years in the next Budget...



Sir William Pitt—chairman of the Inland Revenue

DISALLOWED BUSINESS EXPENSES

- Cost of RAISING MONEY: Expenses of issuing debentures; Expenses of raising or transferring a mortgage; Commission fees for loan facilities; Commission for guaranteeing a loan; Costs of share issues including the costs of obtaining a quotation. COSTS FOR THE USE OF MONEY: Losses on foreign currency borrowings; Discount on redemption of debentures; Bonus or premium on repayment of loan. EXPENDITURE ON SOME WASTING CAPITAL ASSETS: Commercial buildings—warehouses, offices, shops; "Second-hand" industrial buildings; Sites for waste disposal; Trade marks; Some capital costs of trade effluent disposal. MISCELLANEOUS: Pre-trading expenditure that would be deductible if incurred after commencement of trading; Costs of abortive capital projects; Payments to terminate onerous contracts; Redundancy payments in excess of statutory limits.

system through delaying tactics. Sir William Pitt, chairman of the revenue, while giving evidence to the Commons Select Committee on the Ombudsman last spring, accepted that the July 6 date caused great difficulties not only to the taxpayer but to his own department as well.

He told the committee that the position would be eased if the time-table were extended by three to six months and such a change had already been suggested to ministers. A six-month extension is the more likely. The second change spelled out by Sir William was a rise in the "de minimis" figure—the level at which no interest is charged. At present interest is not charged where it would be less than £10 and this figure is likely to be increased to £20, taking 40 per cent of the cases out of charge.

Consortia groups

Hopes for other changes must be more limited at this stage, although there will be developments right up to Budget day and beyond. In last year's Finance Bill there were substantial technical changes in the way of learning the results of cases the revenue keeps a full record, thus knowing when it was on safe or uncertain ground in pursuing claims for tax.

One area where companies will be pushing hard concerns consortia group relief. The CBI and accountants want trading losses of a consortium company to be available not only to the owning companies pro rata but also to other companies in their respective groups, and trading losses of companies owning a consortium to be allowable against the profits of the consortium company.

Banks are calling urgently for tax relief for exchange losses on foreign-currency borrowings. These two demands have been rejected several times in the past and expectations of a reversal should not be high. However, with an election possible before the spring, tax officials will be acutely aware that the Conservatives could be proposing the next Finance Bill. And that would undoubtedly lead to further changes. It might even eventually lead to the removal of tax management measures from the Budget for separate consideration, as Sir Geoffrey Howe, shadow Chancellor, has advocated.

MEN AND MATTERS

Giving the Tories their dues

A Gordian knot of ample proportion was recently cut without noise or ceremony when the General and Municipal Workers' Union sold off £2m-worth of Stock Market investments and put the proceeds into a strike fund.

For financial officer Donald Payne the move came as something of a relief, even if it was not early enough to forestall a dig in the ribs from the current issue of PUNCH about the union's investment in some of the Conservatives' more generous supporters, including for instance, a £28,000 sponsorship of Tate and Lyle.

Trade union investment in companies closely identified with the Tories occurs on a large scale through the portfolio known as the Trades Union Unit Trust, in which, among others, NALGO, NUPE, the NUR and the Union of Post Office Workers' all have a stake. This trust invests in Guardian Royal Exchange, Allied Breweries, Marks and Spencers—all major contributors to the Tory-dominated British United Industrialists.

The Labour Party seems undisturbed by such ironies: "It's practically impossible to invest in anything which isn't mixed up with the Conservatives," said a spokesman. "We do publish a list from time to time..."

Ken Gill, Communist general secretary of TASS, the white collar engineering union, and a member of the TUC General Council, is one of the few unionists who does take the bull by the horns. "The idea of fuelling your own enemy is quite obscene. It's quite wrong to speculate, particularly when you are simply looking after Maggie," he says. TASS's money is in local authorities and property.

Men of idea

Perhaps inspiration is an unusual commodity down Melbourn way—I hear that a former Lord Mayor of the city, Ronald Walker (CBE), is even now waging his way towards London in search of what is described as an "IDEA." Thinkers should concentrate on what would make a suitable landmark to be erected in Melbourn. The idea flogging favour wins £38,000.

Visible earnings

The full cost of the British worker's stubborn predilection for cash came home to the Daily Mirror group last summer, when a security guard was shot dead in a £200,000 pay roll raid.

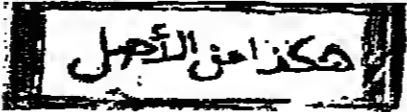
Crash diet

Every crisis, of the mounting and non-mounting varieties, has a sunny side. This time the beneficiaries are Mrs. Thatcher and purveyors of Chinese sprouting beans. "We are on overtime trying to cope with the rush," says Keith Sanster, managing director of Thompson and Morgan of Ipswich. The company is, he tells me, selling near-record quantities of seeds which, in 45 hours, turn into half-inch long protein-packed sprouting beans, "highly suitable, avers Sanster, for 'Siege Britain'."

Hobson's jet

Anxious to please the jogging lobby, British Airways is embarking on the rash course of broadcasting "keep-fit isometric exercises" to long-haul passengers. "It's our way of flying the flag abroad," says the airline, playfully. I assume that the exercises—designed to be "unobtrusive"—are not compulsory. But skinnier travellers may be discouraged by the behaviour of their neighbours. "Head-rubbing," says the airline, "is disguised as a casual look at fellow passengers. Arm-stretching is a vain attempt to adjust airflow controls."

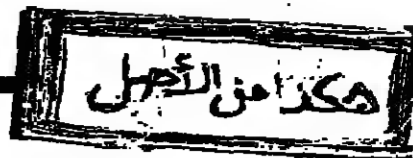
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Observer

FINANCIAL TIMES SURVEY

Monday January 15 1979



Corporate Finance

The financial institutions are having to demonstrate their involvement in, and commitment to, British industry as never before. This is the result of another year of sustained scrutiny of the way these institutions provide corporate finance.

THE CITY is currently more remarkable for its new openness to discussion, criticism and even change than for the funds its component institutions are providing to British industry. Companies have not placed it under great pressure for money over the past 12 months. Loan demand remained restrained despite the fact that the private sector's cash requirement, estimated at about £20bn for 1978, disappointed hopes at the beginning of the year that industry would roughly balance its books. The requirement for equity capital was also low. Companies raised only £520m (excluding B.I. the car company) through rights issues, compared with £770m in the previous year. But if the City's institutions did not have to provide industry with much finance last year, they talked about providing it more than ever before. The clearing banks produced a thick volume describing and justifying their activities. The Bank of England published a guide to small company finance and urged the banks to underwrite loans to small businesses. Every section of the City had to justify itself before the Wilson Committee which in turn published volume upon volume of evidence. The Stock Exchange geared itself up to convince the Restrictive Practices Court that it should be allowed to continue in its current form. By the standards of the very recent past, very little in the City remained sacred. At the same time, the City moved visibly in the direction

prescribed by the "mixed economy". The Bank of England's growing involvement with industry became conspicuous when it organised the rescue of Spillers, the troubled milling, baking and petfoods group. Its governor, Mr. Gordon Richardson, spoke out forcefully on the changes necessary in the management and ownership of British joint stock companies.

Reconciled

Banks, merchant banks, and other institutions in the business of providing companies with capital, became reconciled to the existence of the National Enterprise Board, the Government-owned agency which owns B.I. and Rolls-Royce and which seeks by interventionist investment to force the pace of Britain's industrial development. Two years ago the NEB was the City's enemy, today Barclays, Midland Bank, Rothschilds, United Dominions Trust, and Finance For Industry are only some of the private sector institutions which are working in partnership with it. The NEB has made the running in this reconciliation. In the multiplicity of its activities it undoubtedly has had a ginger effect on the financial establishment. It has won respect with its entrepreneurial approach. Its required objective of a 15-20 per cent return on invested capital (apart from B.I. and Rolls-Royce) gives it respectability. Currently it is tossing balls into the air faster than they are landing. It is not until a day of reckoning comes in 1981 that the City finally will establish whether the NEB is

playing the private sector's game. The mixed economy is looming dangerously for the investing institutions, and for the pension funds in particular. They have been identified by the Wilson Committee as an important new concentration of

less, it seems unlikely that they will escape the spotlight. Quite apart from the attempts to harness them to the country's industrial strategy, there is a growing feeling within the private sector first, that they should be more visible in their investment activities; and,

12 months, there are few signs so far that the City's most basic characteristic is threatened—the clublike manner by which it regulates itself. On the initiative of the Bank of England the institutions sought to answer previous criticism of this system by setting

ment. Companies raised only about £0.5bn in share capital and a notable surge of takeovers—many of them for cash—meant that corporations were probably net purchasers of equities last year. The third quarter figures suggest that the total value of

those of the British Stock Exchange. At the same time, the Office of Fair Trading has challenged the Stock Exchange's rule book on the argument that its rules are "restrictive practices." These rules are basic to the Stock Exchange's powers of self-regulation. So the British securities industry is facing a period of flux.

There has not been much pressure recently for bank borrowing by companies. It is currently estimated that companies are making use of less than half of the overdraft facilities available to them. Under these conditions, foreign bankers have accounted for a noticeable proportion of new lending to the British private sector.

The latest figures suggest that this proportion was 11 per cent in the year to October 1978. A part of this success has been due to the easy availability of wholesale money (which disappears when credit conditions become tight) coupled with the relatively low overheads of the invaders—British banks are playing the same game in New York. But the Americans undoubtedly have given impetus to the rise of the medium-term roll-over loan in Britain through their success in marketing such credits.

Finally, 1978 was another good year for the small company after the Wilson Committee had stressed the problem of small company finance in its interim report in December 1977. Powerful institutions moved to plug the claimed gap. The National Coal Board pension fund stressed its readiness to invest

in small companies. Midland Bank teamed up with the National Enterprise Board in a new venture capital company, Equity Capital for Industry, a body sponsored by the major investing institutions, lowered its sights to cover smaller companies than had originally been envisaged. The Industrial and Commercial Finance Corporation (ICFC), had a very active year of small company finance.

Now the Bank of England has asked the clearing banks to set up a loan guarantee scheme to reduce the burden of loan security on small businessmen. This proposal is being worked on, though the clearers are resisting it.

A number of key developments stand out. The Bank of England is becoming increasingly interested in corporate affairs. Clearing banks are lending longer and becoming more involved in financial management. The Stock Exchange complains bitterly about the way it must sell predominantly government securities to a shrinking and increasingly powerful clientele. Investing institutions have been forced to face up to their own influence and to use it for the public good—however defined.

These different strands add up to a trend away from a "free market", City in which institutions mediate for their own ends between many sources and many users of finance. Partly because it is politic, partly because of the changing structure of savings, the City now has a more continental feel. It is becoming reluctantly involved in the cause, as distinct from the business, of channelling British savings back into industry.

How the City's role is changing

By Nicholas Colchester

financial power and the question is how they should deploy it and remain "accountable" for its deployment. The trades unions want the pension funds and insurance companies to help the "industrial strategy" by providing half the cash, and government the other half, for a new fund which would pump money into chosen sectors of British industry. The pension funds recently joined forces with the Confederation of British Industry in mounting a counter-attack. They played down their financial power and claimed that they should work only in the interests of their pensioners—not the public good. Neverthe-

second, that they should be more active in monitoring the performance of the managements of the companies in which they have invested.

In these circumstances intense interest has been generated by the few occasions when the funds have chosen to flex their muscles in public. They questioned Allied Breweries' bid for Lyons and Wilkinson Match's link with Allegheny in the U.S. They challenged Barclay's bid for an investment trust—an elaborate way of raising equity capital. And they barred the bid by S. Pearson for Pearson Longman. Despite the sustained scrutiny of the City over the past

up, last May, their new Council for the Securities Industry. This council was built round the Stock Exchange and the Take-over Panel, two pillars of self-regulation, and is designed to embrace merchant banks, the major investing institutions and clearing banks. Since the fanfare of its first announcement little has been heard of it.

Surge

One of the pillars of this system, the Stock Exchange, is under official attack at a time when it is providing relatively little finance for British industry. Ninety per cent of the money raised on the exchange last year went to Govern-

acquisitions in 1978 will have been about £1.2bn, of which about one half will have been paid for in cash. The concentration of primary market activity in the hands of government and of secondary, or trading, activity in the hands of institutions has led the Stock Exchange membership to look for other areas of business. Increasingly, the brokers are encroaching on such areas as food management and corporate finance which, traditionally, have been the preserve of merchant banks. Both jobbers and brokers are looking covetously at the international securities game, where the rules tend to be incompatible with

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CORPORATE FINANCE II

Industry's borrowing set to rise

THE FINANCIAL position of industry has been much less strong than expected over the last year...

and £11.5bn at current prices, though by much less in real terms. This drain on funds was partially offset by the expected decline in the amount required for stock appreciation...

on margins again at a time of sharply rising labour costs. However, most City analysts still expect that the rate of growth of trading profits should maintain the improvement of the second half of 1978...

The widely forecast slowdown in the rate of expansion of economic activity should mean a much lower level of stock-building than in the past 12 months...

the amount required to finance stock appreciation may rise from between £2.1bn and £3bn last year to between £2.5bn (Wood Mackenzie) or £4.4bn (Phillips and Drew)...

four years ago. It is possible that the increase in short-term borrowings produced by this deficit might only lead to an increase in gearing...

Nevertheless, there is likely to be a significant rise in bank borrowing by industrial and commercial companies. This would not only reflect the larger expected financial deficit but also the impact of the run-down in industry's liquidity position during the second half of last year.

Consequently, bank advances are projected to rise by between £4.3bn and £4.6bn this year compared with between £2.7bn and £2.8bn in 1978. Industry's bank deposits may rise by between £1bn and £2bn.

Peter Riddell Economics Correspondent

State help now a major element

A year ago City analysts were generally confident that industry's financial position would be helped by rising North Sea profits and by the smaller drain of cash needed to finance the increase in value of stocks.

Accordingly, stockbrokers Phillips and Drew in January 1978 estimated that the 1978-79 commercial companies would have a financial surplus of about £300m for the year.

The low level of advances was partly explained by reactivation of the control controls: this encouraged inter-company lending which bypassed the banks and distorted the figures.

LONG GONE are the days when the State limited its involvement in industry to laying down the legal and regulatory framework within which business was expected to operate.

The detailed breakdown is instructive. Regional development grants had so far cost £1.68bn. Offers of selective regional assistance under section 7 of the 1972 Act had amounted to £499m, of which about 60 per cent was in the form of interest relief grants.

These figures give, moreover, only part of the picture. They exclude commitments to the North Sea offshore grant scheme under section 8 of the 1972 Act (about which the Industry Department is uncommonly reticent, in part no doubt because this particular scheme has aroused protests from the European Commission in Brussels).

But what about the main-stream programmes such as regional and industrial aid schemes? These were being operated before the post-1973 recession and they have been pursued by Conservative and Labour Governments alike.

The Government's industrial strategy represents, in its way, an attempt to emulate the (not completely successful) industrial policies of successive French and Japanese Governments without the all-pervading sense of partnership and mutual empathy which has characterised industrial policy in those countries.

Official figures are still only available for the first half of the year and indicate there was a £2bn deficit for the period. These figures are subject to major revision—not only of size but also sometimes of direction.

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The scale of State participation has, however, increased enormously in post-war years, and in the case of financial aids and incentives developments have been particularly rapid in the last five to ten years.

The rate at which commitments have been building up has been increasing. The total for these schemes (other than aid to individual concerns) in 1976-77 was £807m, in 1977-78 £974m, and in the first half of the current financial year £365m.

By the end of March last year, for example, only £213m of the £468m of selective regional assistance offered under section 7 of the 1972 Act had been paid out.

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Mixed The prospects for this year are mixed. Much will depend on the level of pay settlements in the current wage round and the outlook at present is not exactly encouraging.

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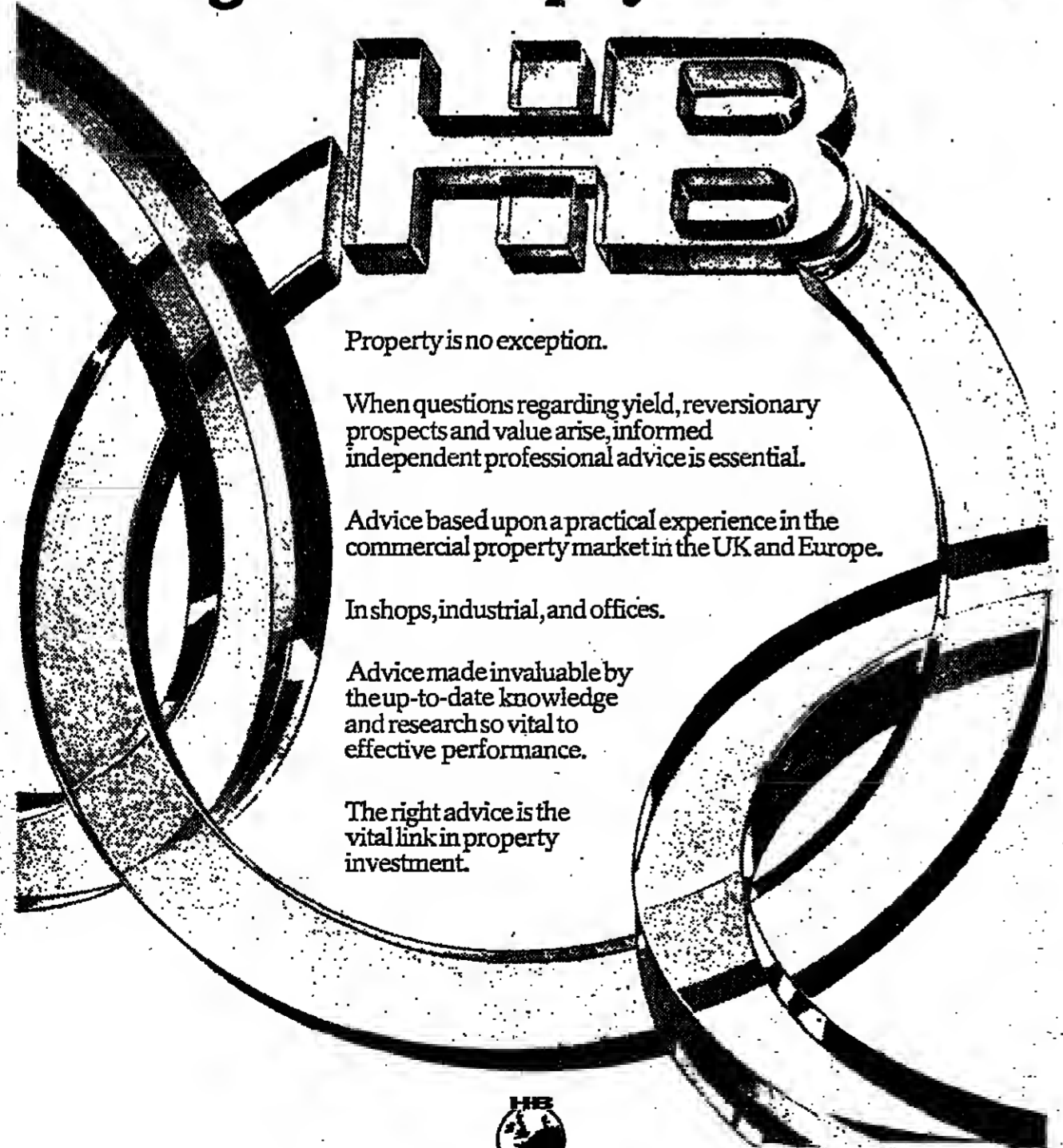
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Political courtship of the small business

THE WOOLING of small businessmen by the two main political parties that began some 18 months ago with the appointment of Mr. Harold Lever as the Cabinet Minister responsible for small companies will intensify during the run up to the general election.

But some bankers believe that they have already introduced enough new measures to help small businesses and that the guarantee scheme is unnecessary.

Other long-established development capital specialists such as the Charterhouse Group and Gresham Trust have expressed their interest in this field and pension funds have also shown some signs of interest.

and the broad idea has now been taken up by Mr. Biffen who says that nationalised industries should help to set up small businesses in decaying urban areas.

This is the latest stage in the debate about a guarantee system for clearing bank loans that has been in progress for some time. Advocates of the idea point to successful guarantee systems in the U.S. and Germany.

The Treasury and the Department of Industry have also opposed the idea if it has to be launched and backed by the Government because of the amount of State aid that might be needed to help out bad debts.

So it is not surprising that there is a view that the City is doing enough already without a new guarantee scheme. Mr. Lever believes, however, that banks should become a little more adventurous and less cautious about the way they react and should be prepared to push forward the frontiers of risk taking.

It involved with a number of other organisations and companies such as the CFC, Marks and Spencer, BP, IBM, British Oxygen and Tesco in trying to set up a London Enterprise Agency to help small firms in inner London.

Further tax initiatives are likely to be prepared for the spring Budget including help for loans in new ventures. One idea being pushed by the London Chamber of Commerce is that the income tax concessions introduced in last year's Finance Act for the exemptions for shareholders should be adapted to help those who invest in small firms for a specified period of time.

Another advance being considered by the Government is a proposed guarantee scheme under which the clearing banks would underwrite their loans to save small businesses having to provide excessive personal guarantees.

There would be little if any financial involvement by the Government, although there have been some suggestions that the Treasury might provide up to 10 per cent of the cost of meeting the guarantees.

Mr. Lever has spoken to the chairmen or chief executives of all the leading banks about the need to help small firms in some bank-run, guarantee system might unleash fresh investment and has asked the Bank of England to try to persuade the clearing banks to set up such a scheme.

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John Elliott Industrial Editor

هكذا من الأجرى

Imagine telling your bank manager you were thinking of cleaning up sand in the Middle East and needed a little help. Imagine the reaction. Disbelief? Laughter? That's what you'd expect.

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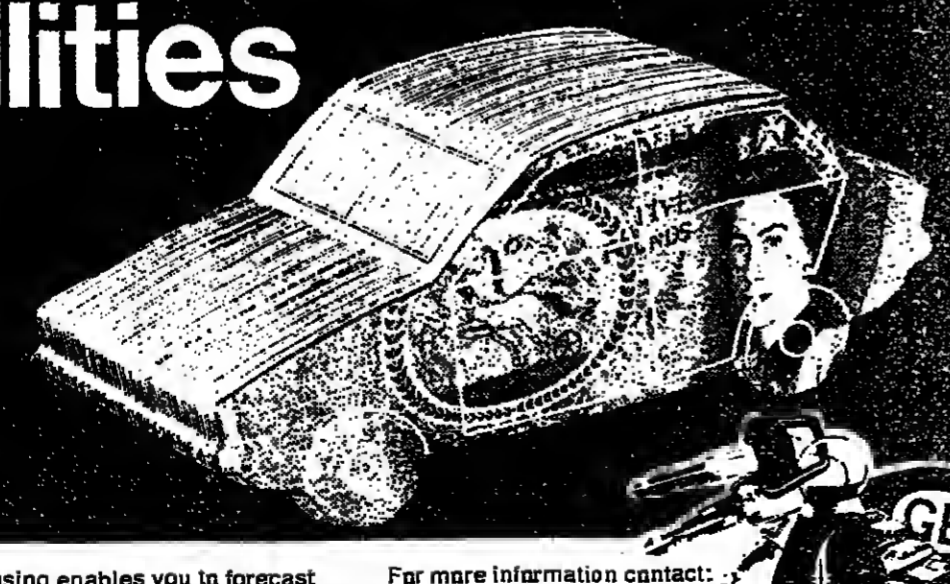
"Diversification? Yes, but within the own branch". This policy is based on the principle that the objective of Wessanen's policy is the rapid expansion of profitable investment opportunities abroad, thereby contributing to the continuity of the parent company and supporting the employment in their European plants.

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The group is engaged in a number of projects, for example, are stocked but - thought to an example of the group's policy.

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Interest rates at high levels

OVER THE past year industry has experienced the less comfortable consequences of the Government's acceptance of money supply targets. The combination of an increase in economic activity and a high level of public sector borrowing have meant that the private sector has had to be squeezed to prevent a breach of the monetary objective.

The result naturally has been a sharp rise in interest rates - to levels almost without precedent in real terms after adjusting for inflation. Moreover, there is little prospect of a substantial reduction in the general level of rates.

This is very different from the beginning of last year when the direction of interest rates was still downward. Indeed, in the first week of 1978 Minimum Lending Rate fell 4 points to 6 1/2 per cent, reflecting the strength of sterling and despite a rise in U.S. rates.

The immediate response was a cut in base lending rates of the clearing banks to 6 1/2 per cent from a previous range of 6 3/4 to 7 1/2 per cent. The result was that top-quality industrial borrowers had in July 1977 had to pay up to between 11 and 11 1/2 per cent.

This was a low level of interest rates by the standards of the previous five years, except for every short period. Over the following couple of months there were growing signs of a pick-up in bank lending to industry and of a more general revival in economic activity.

The money supply figures suggested that sterling M3 (the broadly-defined money supply including cash and bank current and seven-day deposit accounts) was growing more rapidly than the permitted rate of 9 to 13 per cent for 1977-78. This was then seen as a temporary phenomenon produced by the impact of the late autumn 1977 tax cuts and the lingering effects of the large inflow which occurred when the sterling exchange rate was being held down up to the end of October 1977.

But the City was generally less confident that the money supply was well under control; the implications for interest rates of the Government's attempt to adhere to its monetary target became clear during the late spring and early summer. It was plain that if something had to give it would be interest rates, whatever the effect on the politically sensitive mortgage rate in what was then seen as a pre-election period.

The turning point was the mid-April Budget when Chancellor Denis Healey sought to reconcile a rise in the estimated public sector borrowing requirement from £5.7bn to £8.5bn in 1978-79, a slight tightening of the monetary target to a range of 8 to 12 per cent with hopes of meeting industry's demand for funds. In an attempt to reassure the City Minimum Lending Rate was increased on Budget Day by a full point to 7 1/2 per cent.

This was followed by a one point rise in the clearing banks' base rates to 7 1/2 per cent, so that top-quality borrowers then had to pay 8 1/2 per cent. However, the Budget strategy failed to convince the markets and institutional investors. The Government's critics argued that fiscal and monetary policies were further undermined by the publication of figures showing that the growth of the money supply had been higher than previously assumed. Over the 1977-78 financial year sterling M3 turned out to have increased by 16 1/2 per cent, compared with Mr. Healey's budget projection of a rise of under 14 per cent and the original 9 to 13 per cent target.

In addition, public sector borrowing was boosted by a successful amendment to the Finance Bill which reduced the standard rate of income tax and the Government failed to announce any immediate response.

Formula

In late May, the Government also announced the abandonment of the market-related formula for MLR and its replacement by direct official control through administrative decision.

The result was what was described by some commentators as a gilt-buyers' strike. The authorities were unable to sell anything like the required amount of stock outside the banking system and so avoid brooking the money supply. The institutions' attitudes were criticised and part of the blame was placed by Mr. Healey on "young men in brokers' offices who write circulars."

In any event, the Government was forced to respond on June 8 with a package of measures aimed at boosting sales of gilt-edged stock and reasserting control over the money supply. The package involved a one point rise in MLR to 10 per cent, reactivation of the so-called corset controls on the banks, and a 2 1/2 point increase (later limited to 1 1/2 points) in the employers' National Insurance contributions to recoup the revenue lost by the income tax cut. The MLR rise was followed by a similar 1 point rise in the bank's base lending rates up to 10 per cent, so that top-quality borrowers had to pay 11 per cent.

The most important measure was reactivation of the corset which penalises banks if the expansion of their interest-bearing deposits is faster than laid down by the Bank of England. This covers wholesale money market deposits and interest-bearing bank deposits.

The markets' immediate response to the package was favourable in that the Bank was able to sell very large amounts of gilt-edged stock. But there were still sceptics and stock-brokers W. Greenwell concluded that "the latest re-introduction of the corset will probably not mark a major turning point of the economy and interest rates, as it did on the previous two occasions."

Reactivation of the corset and the heavy sales of gilt-edged stock created difficulties in the money market for a couple of months. So the authorities were forced to provide temporary relief - to avert further upward pressure on rates created by shortage of funds.

In any event the desired impact on the rate of growth of the money supply was produced by the early autumn. However, it was recognised that the official figures distorted and understated the underlying demand for credit, in particular through the increasing provision of acceptance credits. This is what is known as disintermediation and was reflected in the low growth of sterling M3 in the first half of 1978-79.

Moreover, short-term money market interest rates began to rise from the beginning of October onwards. Three-month interbank rates rose from 9 1/2 per cent in September to more than 11 1/2 per cent by the end of October. This was against the background of a sharp rise in U.S. interest rates and growing domestic concern about the prospects for inflation in view of the long-standing growing opposition to the Government's pay policy. Treasury Bill rates rose steadily and would have triggered a rise in MLR under the old market-related formula. Moreover, in early November Barclays Bank increased its base lending rate by 1 1/2 points to 11 1/2 per cent.

While there was no immediate crisis the Government tried to take the initiative on November 9 by announcing a 2 1/2 point rise in MLR to 12 1/2 per cent. This not only acknowledged the rise in short-term rates which had already taken place but sought, in the Bank of England's words, to "establish a new level appropriate for the continuing restraint of monetary expansion". At the same time the 8 to 12 per cent monetary target was extended until October this year, which implied a slight tightening in the official monetary stance in view of the earlier "strong growth of the money supply."

Adjustment

Mr. Healey presented these measures as largely a technical adjustment in response to money market pressures, higher U.S. interest rates, and inflationary uncertainties. But in addition, the authorities appear to have been concerned about signs of an underlying pick-up in the level of private sector demand for bank credit, and the probability of a high level of public sector borrowing during the winter.

The package was followed by a further rise in clearing bank base rates to 12 1/2 per cent, so that top-quality borrowers were having to pay 13 1/2 per cent and others up to 17 per cent. Moreover, the Government was unable to sell sizeable quantities of gilt-edged stock.

The current view of most City analysts is that short-term rates should not rise much further from the current high levels, but there is disagreement about the timing and scale of any decline. Some brokers point to the recent favourable trend of money supply growth and the likelihood that the slowdown in economic activity later in the year will limit the private sector's demand for bank credit.

Against this, continuing pay uncertainties, the rise in U.S. interest rates and high level of public sector borrowing may restrict the scope for any decline. In particular, the increasingly prominent position of monetary restraint in the Government's counter-inflation policy suggests that the authorities are likely to be cautious about allowing a reduction in MLR which might have to be reversed quickly.

Peter Riddell

Specialist sources

THERE IS always much talk in the City of London about gaps - especially at a time like the present when the City's range of financial services is under the scrutiny of the Wilson Committee. Back in the 1930s there was the so-called "Macmillan" gap, which led to the setting up after the war of the Industrial and Commercial Finance Corporation (ICFC) - which is actually now a subsidiary of FFI - has for many years shown itself to have a vital role in the small company sector.

FFI's larger scale business is channelled through its subsidiary FCI, which advanced a total of £40m during the last complete financial year ended last March. But there has been no real buoyancy in this market, and in the six months to September FCI lent no more than another £24m to nine customer companies.

The strength of FCI has derived from its ability to lend for quite long terms at fixed rates of interest. Unfortunately, rates of interest have generally been very high in recent years - and have of course climbed back in the past few months. This has made company treasurers reluctant to commit themselves to high fixed interest rates, and they have preferred to borrow variable rate money which could allow them to gain a benefit from an eventual fall in interest rates.

FCI does offer variable rate loans, and has indeed extended the maximum term for this kind of debt up to 15 years. But this is a field where many banks and other institutions are very active and competition for business has often been fierce (though less so since the banking "corset" was imposed last summer).

An underlying problem has been the fact that the large companies to which FCI seeks to lend have generally been passing through an especially liquid phase. After the often bitter experiences of 1974 companies are reluctant to raise their gearing levels in order to finance capital investment.

Curiously, however, FFI's subsidiary dealing with small companies, ICFC, reports quite a different experience. From about the summer of 1977 onwards small businesses have gained their confidence and began investing in expansion once more. In the six months to September 1977 ICFC invested £18m in the loan and share capital of small companies, but in the next six months this jumped to £31m and in the half-year to September 1978 the higher level was maintained.

Phenomenon

An intriguing new phenomenon is that executives of subsidiaries or divisions of large groups are flocking to buy these operations from the parents. In the first nine months of the current financial year ICFC has made 30 investments as a result of this type of proposal. Clearly, being their own boss has much more appeal for "down-the-line" managers these days.

Meanwhile, proprietors of existing independent small businesses have also gained new enthusiasm for expansion, though in real terms the sums involved are often rather smaller than in the past. ICFC's average loan has stayed at around £100,000 for the past five years, despite rapid inflation, and it does plenty of business in smaller sums right down to the lower limit of just £5,000.

Both the investment market - covering companies seeking new capital - and what ICFC calls the purchase market - embracing existing shares which holders wish to realise for cash - have been very busy. ICFC manages, and has a 42 per cent stake in, Estate Duties Investment Trust (EDITH) which is listed on the stock market.

Originally EDITH was set up to allow shareholders in small companies to meet tax bills. Nowadays EDITH also has some quite substantial companies on its books - companies which at one time would have been considered ripe for a stock exchange listing but which in present circumstances see no point in incurring the expenses and responsibilities of going public.

The very latest trend at ICFC, however, is slightly less buoyant. New business applications fell away noticeably in December, and although its executives are reluctant to say definitely that the trend has changed, they are watching the situation closely. The pattern can tend to be deceptive over the Christmas and New Year holiday period, but there is a fear that Government action to raise short-term interest rates will further last November's dampening effect on confidence in the small business sector.

In 1977 the upturn in demand for finance by small businesses gave advance warning of a more general recovery in the economy. It could be that the declining level of activity at ICFC is now acting as a "lead indicator" of a slowdown. In fact ICFC's own rates on long-term loans have only risen slightly in recent weeks - by 1 per cent or so. But the very high level of overdraft rates is making entrepreneurs nervous about embarking on expansion projects.

Over at FCI, however, the hope is a period of tight credit conditions will, at last help to establish this two-year-old operation with a distinct role. FCI's first investment - in Bond Worth Holdings - went disastrously wrong - and since then it has found only a handful of investments. Its most recent action has been to underwrite a rights issue by Hawkins and Tipson.

The problem has been that FCI has very little room for manoeuvre. After the Bond Worth fiasco, it does not want to take big risks. Yet if it does not do this, existing shareholders may protest, as some did when FCI took a stake in UBM group. The point here is that institutional shareholders in companies are very often also shareholders in FCI. They do not want FCI to put up funds when they would be happy to do so directly themselves.

Barry Riley

Restrained growth in bank lending

BANK LENDING has picked up since the spring, although the expansion has been fairly restrained in comparison with the sharp growth in output between the first and second quarters and the increase in consumer spending.

The most sluggish areas of lending has been to industrial companies — which on the surface seems rather surprising since such customers have priority for bank loans.

Among the reasons for the low loan demand from industry has been the introduction of the official "corset" controls designed to curb bank lending. This has generated company-to-company lending, bypassing the

banks, which has distorted downwards both the figures for industry's bank advances and its bank deposits.

There have also been intra-company transactions associated with currency uncertainties and these may have reduced the need for reduced UK companies to raise external finance.

The corset — or special supplementary deposits — were introduced as part of an economic package in June as the growth in demand for private sector finance, along with a public sector borrowing requirement officially forecast at £8.5bn in the 1978-79 financial year, brought fears of a

renewed inflationary spiral. There had been little change in the sluggish rate of bank lending to the private sector in the summer months of 1977. Despite a dramatic fall in Minimum Lending Rate, which bottomed out at 5 per cent in October, 1977.

In the autumn there was the first hint of a revival in the fact that the categories of borrower which accounted for most of the increase in clearing bank advances — agriculture, retailers, personal and professional, were among those least likely to have improved their liquidity through inflows from abroad.

Although the underlying rate of growth remained at the same level — about 1 per cent — the decline in the rate of inflation meant that bank lending meant that bank lending meant about the turn of the year rather than fall.

In the 12 months to mid-November total bank lending in sterling to UK residents has expanded by 18 per cent. Over the same period retail price

inflation was running at 8.1 per cent, so the inflation-adjusted increase in lending was about 8 per cent.

The pattern over the year has not been smooth, however, and there has been some slackening in the latest six-month period. Figures released last month by the Bank of England show that while bank lending in sterling rose 4.2 per cent between mid-November 1977 and mid-February 1978 and 4.4 per cent in the next three months, between mid-May and mid-August the increase had dropped to 3.9 per cent and in the latest three-month period to 2.3 per cent.

The slackening can be attributed mainly to the impact of the corset as banks struggled to bring their interest-bearing resources, or eligible liabilities, under the set limits.

The corset came into operation if the average of a bank's interest bearing resources for the three months August-October exceeded by more than 4 per cent the average amount outstanding on the banking

make-up days in the six months of November, 1977 to April, 1978. After the June announcement the authorities said that the scheme was to remain in force for a further eight months, until July, allowing 1 per cent expansion each month.

The rate of deposits required depends on the level of the excess increase of the banks' interest-bearing resources.

Thus if the excess is 3 per cent or less the rate is 5 per cent. But if the margin over the limit is more than 3 per cent but not more than 5 per cent then the rate is 25 per cent. Thereafter the rate is 50 per cent of the excess growth in interest-bearing liabilities.

Institutions with average interest-bearing liabilities of less than £10m are not required to pay the deposits.

Bank of England figures released last month showed that the main clearing banks were all well under the official corset ceiling in August-October, the period in which the restrictions began to bite.

At the same time the figures revealed that seven banking institutions failed to come below the corset ceiling, and only one of these was penalised at the 50 per cent rate. Another bank was penalised at the 25 per cent rate, while the remaining five had excesses over the corset ceiling of 3 per cent or less.

Bank lending to manufacturers has trailed behind the expansion for other groups, even though the authorities have repeated their guidance to banks on the direction of lending, stating that industry is the first priority. The first occasion was at the time of the Budget and the second when the June economic package was introduced.

Manufacturers have borrowed an extra £1bn from banks in the 12 months to mid-November, an increase of 14.2 per cent. At the end of the period manufacturers were taking up 40 per cent or less of the overdraft loan facilities bank managers had agreed to allow them. In the past this proportion has risen to more

than 70 per cent when output was growing strongly.

Two-thirds of the annual expansion took place in a single three-month period, between mid-May and mid-August, when manufacturers borrowed an extra £889m, or 8.5 per cent more from banks. The comparable increase in the following three months was only 0.5 per cent.

Within the crude total there were only four categories which showed any appreciable net growth in the 12-month to mid-November. Chemicals and allied industries increased their bank borrowing by 32.7 per cent to £2.1bn; electrical engineering by 21.6 per cent to £811m; other engineering and metal goods 24.2 per cent to £1.9bn; and shipbuilding 21.3 per cent to £621m.

There were slight declines in bank borrowing by the food, drink and tobacco sector and by vehicle manufacturers over the year.

There was strong growth in borrowing by the agriculture, forestry and fishing sector, up 28.6 per cent to £1.9bn in the

year. Construction industry borrowing rose by 8.1 per cent to £1.7bn, while bank borrowing by the mining and quarrying sector fell 5.6 per cent to £1.3bn.

There is some evidence of fairly strong demand for leasing finance. The category containing this item, "other financial," recorded growth of 19 per cent to £4.5bn in the year.

Bank lending to the personal sector rose 23.2 per cent over the year to £5.8bn. The overall increase in bank lending to the service sector was a modest 8.9 per cent, but this disguised large variations.

As one extreme lending to public utilities and the central government actually fell, by 15.2 per cent to £2.9bn. At the other there were increases of over 20 per cent. Lending to retail distribution rose 12.7 per cent to £1.7bn and to other distribution by 26.8 per cent to £3.1bn. Lending to the professional, scientific and miscellaneous sector rose 20.2 per cent to £3.6bn.

David Freud

China opens the gate to exporters

ONE OF the most significant events for British exporters last year was the conclusion of a \$1.2bn credit deal with China, involving seven groups of UK banks, which did much to enhance the reputation of the banks concerned and the Export Credits Guarantee Department (ECGD), which played a leading role.

The deal was the first of its kind negotiated by China, through the Bank of China, and will operate much the same as a normal line of credit, allowing exporters to supply a wide range of goods and services on the basis of credit provided at internationally competitive rates of interest.

Although it is certain that the British initiative will be followed by similar arrangements in other European countries — such as France, which has yet to give details of a similar scheme — it says much for the acceptability of the UK export finance system, and also for the Bank of China.

Export finance remains a highly competitive field, with the major countries anxious to be ahead of the game while remaining within the internationally accepted rules on interest rates and periods of recovery (or at least without breaking the rules too blatantly).

When it became clear that the Chinese were adopting a new and more flexible attitude to trade, reflecting the more outgoing political attitudes of the country, British banks saw the need for financing arrangements which would have to meet the cautious requirements of the Chinese.

China had long opposed the provision of credit in any form, but more recently agreed to consider a deposit facility through the Bank of China. This was successfully adopted in Japan and modified by British banks into an agreement which is very similar to a line of credit as far as UK exporting companies are concerned.

will be made over five years, tied to an estimated mean delivery, final delivery or installation date. Contracts must be approved by December 6 this year and drawings must be completed by the same date in 1982.

The agreement itself is a simplified version of a normal line of credit, which excludes some of the more complex legal requirements developed for more litigious countries, particularly in relation to arbitration in the event of a dispute over a contract.

This was also done in deference to the Chinese practice of leaving much unsaid in the conclusion of contracts on the understanding that both parties will honour the spirit of the agreement more than the letter of the contract.

Although exporters to China will no doubt be willing to use the facility without hesitation for smaller contracts, particularly for goods which can be supplied off the shelf, there is likely to be some hesitation where complex high value projects are involved under the present agreement.

It is also clear that the banks and ECGD have had to agree to a slightly higher degree of liability than would normally have been acceptable, however in a matter of such national importance it was regarded as necessary and, in any case, all parties have placed great reliance on the Bank of China.

It is unlikely that any subsequent agreement will leave so many blank spaces, and discussions are now likely to centre on the provision of huyer credit agreements for larger individual contracts.

Concessions to the Chinese are, however, a price that ambitious exporters apparently have to pay. Although few substantiated details have emerged on the terms of proposed Japanese loan agreements, the concept of "developmental" loans at a rate of 6 to 6½ per cent is regarded by most other countries with some suspicion.

Although Japanese bankers claim that such loans will not be tied to Japanese products and are in any case faced with pressure from China to extend loans in dollars rather than the strong yen, it is obvious that much of the business generated would go to Japan.

There are also indications that the Chinese are also seeking a very large long-term loan agreement with Japan, doubling existing proposals, which would go a long way towards financing their trade during the early part of the 1980s.

In those circumstances, Japanese banks would be under great pressure to offer concessional terms which could in turn lead to a round of damaging competition on interest rates between all the major exporting countries, many of which are also faced with growing problems over exports to the Middle East.

France has recently concluded a credit agreement with China which is understood to be valued at FF 30bn over a 10 year period, also guaranteed by its official export credit organisation, Coface, and although the details of the deal have not been revealed, some bankers believe it may be at a concessional rate.

The United States has long been unhappy about the tendency of some countries to drop interest rates or lengthen the term of loans where a new and important market is developing and exporters see the need to establish their presence.

At the last meeting of the ECGD consensus nations in Paris, the U.S. delegation was outspoken on the need for a tightening up of the rules, which specify interest rates of 7½ to 7¾ per cent on export credits for developing countries, but it would appear that things are now moving in the opposite direction.

Lorne Baring

Nominate

The UK banks have now spelt out the way in which the agreement will operate. The Bank of China, working in conjunction with the Chinese State trading corporations, will nominate contracts for inclusion under the facility to the UK bank concerned; after agreement by the UK bank and ECGD that the deal qualifies, an approval in principle will be issued by the UK bank to the Bank of China and the company concerned.

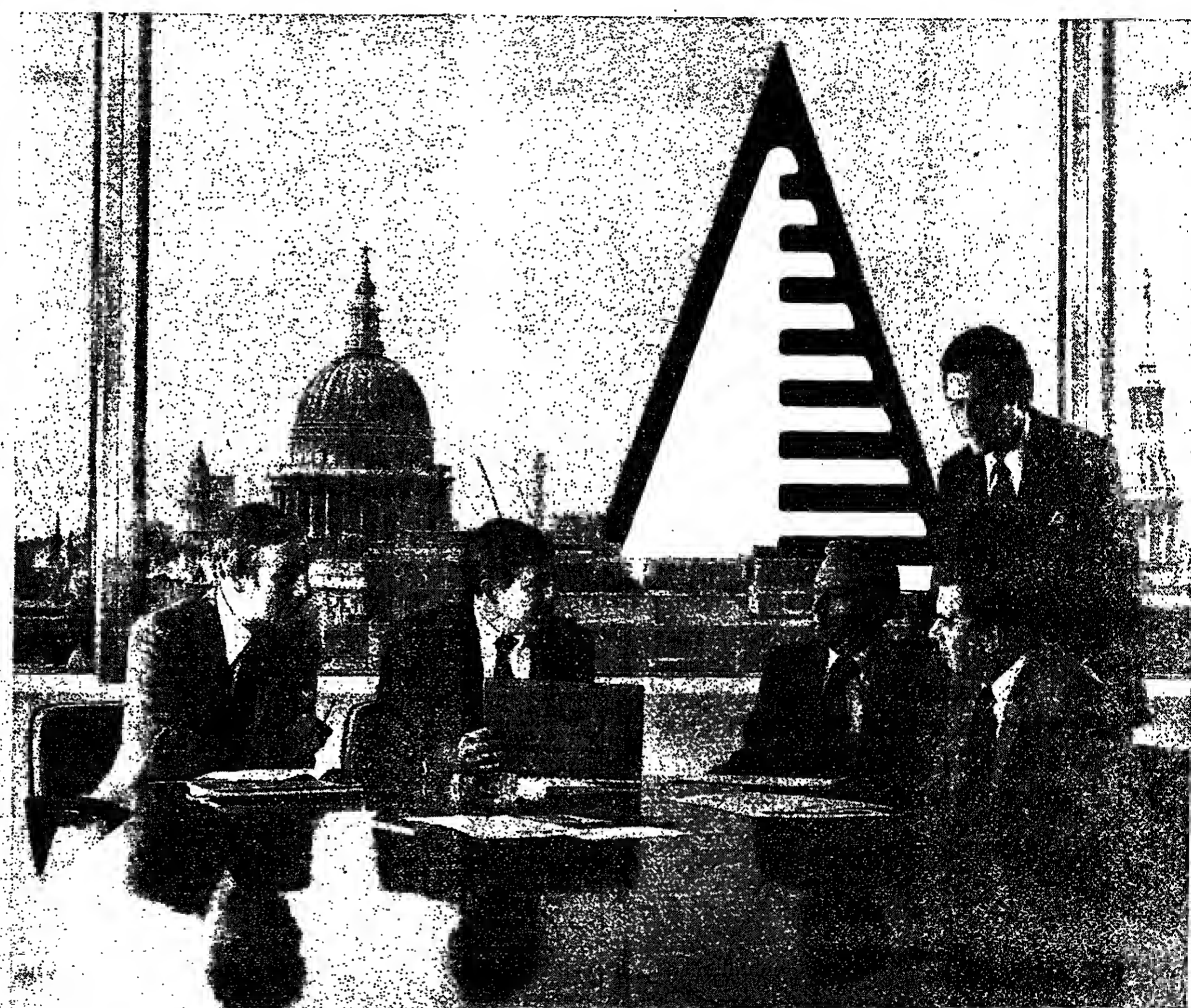
Later, after the conditions precedent to the contract have been fulfilled, a formal notice of approval will be sent by the UK bank to the Bank of China and the supplier.

A cheque payable to ECGD must be forwarded by the supplier company to the UK bank to cover the premium charge, and will be the only financing provision to be allowed for in the contract price to be negotiated with the Chinese State trading corporations.

The payments clause in the contract must provide for a payment of not less than 5 per cent within 30 days of signing, and a further payment which, when added to the initial payment, will result in a total of not less than 15 per cent, on or before each delivery or service rendered.

An appropriate reference also needs to be made as to the documents required for presentation to the Bank of China to enable the amount guaranteed by ECGD to be paid, and that such payment will be through the nominated British bank under the deposit facility arrangements.

Other more normal requirements are that the minimum contract value be not less than \$5m at an interest rate of 7.25 per cent. The repayment period depends on the conditions of each individual contract, 10 equal semi-annual instalments



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CORPORATE FINANCE VII

Currency risks hit Euromarkets

VIOLENT AND almost un-

Some new openings into

British borrowers were in

ing of the UK Treasury's \$1.5bn

Savings

During 1978, for the record

The broad movement into

Even prime borrowers are

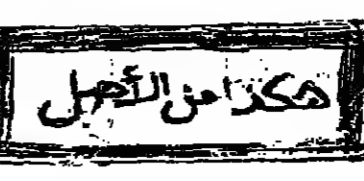
New issues at low ebb

TRADITIONALLY THE Stock

Various reasons can be put

Further restrictions on what

new political issues about the



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FINANCIAL TIMES BANKING SURVEYS IN 1979

The following titles are due to be published: Credit Management March 6, German Banking March 7, Belgian Banking and Finance March 14, Canadian Banking and Finance March 16, Euromarkets March 19, Scottish Banking and Finance March 20, Spanish Banking and Finance March 23, Multibank Consortia March 30, Austrian Banking April 24, Finance for Small Companies April 24, World Banking 1 May 21, World Banking 2 May 29, Medium and Long Term Finance July 5, Arab Banking July 16, UK Banking September 3, Luxembourg Banking and Finance October 2, Banking in France October 16, Italian Banking November 13, Swiss Capital Markets November 20, Nordic Banking and Finance December 2, Japanese Banking and Finance December 18, Brazilian Banking and Finance Date to be announced.

MacMillan directors oppose bid from CPI

YANCOUVER — Directors of MacMillan Bloedel issued a statement opposing plans by Canadian Pacific Investments (CPI) to take over their company.

McGraw-Hill will decide policy today on Amex bid

THE BOARD of McGraw-Hill, the U.S. publishing group, meets today to hammer out its policy towards the \$830m takeover bid with American Express.

Japanese links in Queensland smelter venture

FIVE JAPANESE groups have agreed to join with Comalco and Kaiser Aluminum in the development of a new 450,000-ton aluminium smelter at Gladstone in Queensland.

Corco acts over merger plan

THE FINANCIALLY troubled Commonwealth Oil Refining Company (Corco), currently operating under the shelter of the U.S. bankruptcy laws, has responded cautiously to a re-

Dividend passed as losses double at NK-Aahlen

NK-AAHLEN, THE Swedish retailing group, plunged further into the red during the financial year ended October 31. The pre-tax loss was almost doubled.

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns: Company Name, Announcement Date, Announcement Year, Dividend Type, Dividend Amount.

RECENT ISSUES

Table with columns: Issue Name, Issue Price, Latest Price, 1978/79 High/Low, Stock, Opening Price, % Change, Dividend Yield, P/E Ratio.

FIXED INTEREST STOCKS

Table with columns: Issue Name, Issue Price, Latest Price, 1978/79 High/Low, Stock, Opening Price, % Change, Dividend Yield, P/E Ratio.

"RIGHTS" OFFERS

Table with columns: Issue Name, Issue Price, Latest Price, 1978/79 High/Low, Stock, Opening Price, % Change, Dividend Yield, P/E Ratio.

BASE LENDING RATES

Table with columns: Bank Name, Lending Rate, Bank Name, Lending Rate.

Renunciation date usually last day for dealing free of stamp duty. Figures based on prospectus unless stated otherwise.

CLIVE INVESTMENTS LIMITED 1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-253 1101.

I. G. Index Limited 01-351 3466. Three month Copper 836.4-843.1.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD. 45 Cornhill, London EC3V 3PB. Tel: 01-623 6314.

CURRENCIES, MONEY and GOLD

Sterling markets calm

STERLING came under pressure at the end of last week as the foreign exchange market grew more concerned about Britain's industrial problems.

Industries, and expectations of a rail strike. Problems concerning the Public Sector Borrowing Requirement, and the future level of taxation, are also very much to the fore.

THE DOLLAR SPOT AND FORWARD

Table with columns: Jan. 12, Jan. 11, Jan. 10, Jan. 9, Jan. 8, Jan. 7, Jan. 6, Jan. 5, Jan. 4, Jan. 3, Jan. 2, Jan. 1.

OTHER MARKETS

Table with columns: Country, Exchange Rate, Country, Exchange Rate.

THE POUND SPOT FORWARD AGAINST £

Table with columns: Jan. 12, Jan. 11, Jan. 10, Jan. 9, Jan. 8, Jan. 7, Jan. 6, Jan. 5, Jan. 4, Jan. 3, Jan. 2, Jan. 1.

EXCHANGE CROSS RATES

Table with columns: Currency, Exchange Rate, Currency, Exchange Rate.

MONEY RATES

Table with columns: City, Money Rate, City, Money Rate.

LONDON MONEY RATES

Table with columns: Term, Rate, Term, Rate.

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority notes sold normally three years 12-1/2% per cent four years 12-1/2% per cent.

Advertisement for Industrial Bank of Finland Ltd. Kuwait Dinars 6,000,000. 7 1/2 per cent. Guaranteed Notes due 1989. Republic of Finland. Issue price 100 1/2 per cent. Kuwait Investment Company (S.A.K.). Kansallis-Osake-Pankki. Union Bank of Finland Ltd. Bank of Helsinki Ltd.

INSURANCE

Difficulty of defining what a contract fully represents

BY OUR INSURANCE CORRESPONDENT

WHAT IS a contract of insurance? What a question you may say, for we all know that it is an agreement whereby the insurer, in consideration of the payment of premium by the insured, undertakes to pay an amount, if a particular event or event occurs in which the insured has an insurable interest.

True, but is this all or is there something more? Suppose we belong to a sports club to which we pay our subscriptions, which entitle us to enjoy all the club facilities. But suppose that some of the subscriptions is earmarked for a special fund, enabling us to come to the club committee for financial protection against claims against us as individual members, for injury or damage, arising out of activities in the course of club membership.

Suppose the club committee has discretion whether or not to afford that protection, though that discretion has never been exercised.

Discretionary basis

This was the cause of a dispute between the Department of Trade and the Medical Defence Union which recently appeared before Mr. Justice Megarry. The union has for nearly 100 years as part of its service provided financial protection against professional negligence claims, but on a discretionary basis only, with no legal obligation resting on the union.

WALL STREET

NEW YORK

Table of stock prices for New York, including columns for High, Low, Stock, and Jan 12 prices.

APPOINTMENTS

Senior executive post at BICC

Mr. J. Banks is to be appointed by BICC as managing director, group services, responsible to Mr. H. De Ville, executive vice-chairman. For BICC Research and Engineering, corporate planning and group management services, Mr. Banks became chairman of BICC Research and Engineering in July last year.

Mr. Robert Piper has been appointed marketing director of the BANKER and has been succeeded by Mr. Michael Aldous as financial adviser to the company.

Mr. A. R. M. Venus has been appointed a director of TAYLOR WOODROW INTERNATIONAL.

Mr. A. MacDougall has been appointed managing director, HALL-THERMOTANK with responsibility for the industrial refrigeration and air conditioning companies in the UK and overseas.

Mr. G. C. D. Jefferys has been appointed a managing director of SECORBE MARSEILLE AND CAMPION.

The BANK OF AMERICA NT AND SA has made the following appointments to vice president in the Europe, Middle East and Africa Division: Mr. W. Lynn Russell, Paris; Claire Taplett, Bank of America International; Mr. Roland Ward, financial planning, London; and Mr. Samuel M. Zavatti, Middle East area office.

Mr. John Edwards has become chief executive of ENERGY EQUIPMENT. His appointment follows the investment recently of £500,000 by the National Enterprise Board in that company.

Mr. Jack Harris has been appointed finance director and Mr. Andrew Senn, marketing director, of HERON MOTOR GROUP. Other appointments to member companies are Mr. Donald Lock as director, H. R. Owen, Mr. Michael Petrie, director, Heron Trucks, and Mr. Jimmy Kerr, director.

Indices

Table showing indices for New York - Dow Jones, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Standard and Poors, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Europe, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Amsterdam, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Brussels/Luxembourg, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Copenhagen, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Vienna, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Germany, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Canada, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Milan, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Oslo, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Paris, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for N.Y.S.E. All Common, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Montreal, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Toronto Composite, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Johannesburg, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Australia, including columns for Jan 12, Jan 11, Jan 10, Jan 9, Jan 8, Jan 7, Jan 6, Jan 5, and High/Low.

Table showing indices for Spain, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Tokyo, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Stockholm, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Hong Kong, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Switzerland, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Brazil, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Australia, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Oslo, including columns for Jan 12, Price, +/-, Div. Yld, and %.

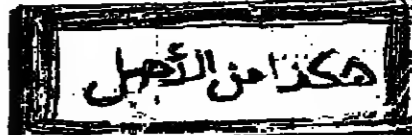
Table showing indices for Paris, including columns for Jan 12, Price, +/-, Div. Yld, and %.

Table showing indices for Australia, including columns for Jan 12, Price, +/-, Div. Yld, and %.

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INTERNATIONAL BONDS

BY FRANCIS GHILES

Package deal from Bayer

A \$200m ten-year issue of bonds with warrants for a prime German industrial name, Bayer, through Deutsche Bank, has effectively re-opened the new issue market for fixed-rate dollar-denominated bonds after it had been closed for a month.

The warrants can be used to purchase the shares of Bayer over the next ten years at just below the current price of the shares, DM138. Each \$1,000 bond will carry detachable warrants, which can be used to buy 18 Bayer shares at DM136 each.

Important role: This is true of the Deutsche-Mark but also, though to a lesser degree, of the French franc where demand for the Peugeot-Citroen issue is reported to be good and well spread geographically.

Two prime borrowers announced they were floating DM bonds last week. Nippon Telephone and Telegraph is a name that could hardly be improved upon in the eyes of many, while American International is also that rare animal, a good U.S. bank name.

Sharp, which was quoted at 82 on January 4, closed on Friday at 98, having touched 99; two days before. The strong performance of the Tokyo stock exchange, which reached its all time peak, was the major factor at work.

A DM200m convertible for Kansai Electric was announced, to be arranged by Dresdner Bank. The amount was less than expected because of a disagreement between the borrower, which is Japan's second largest electric utility, and the banks, which would have liked to see a coupon higher than 4 per cent, particularly for such a large convertible.

Other terms for this convertible include a five-year maturity. Kansai shares reached a high of Y1,260 and a low of Y1,030 last Friday at Y1,230. The conversion rate will be set at January 26. A new issue in Luxembourg francs was announced for the EIB and two new bonds in Swiss francs. The next issue in this

Two other issues were announced last weekend, both in the floating rate note sector: one for the Private Investment Company for Asia and the other for the Algerian state oil and gas company, Sonatrach. This second issue has an interesting feature in that the borrower will pay a split margin over the interbank rate of 1 per cent for the first eight years falling to 1/2 per cent for the last four. The PICIA note carry an interest rate of 1 per cent over Libor for their whole life.

The secondary market in floating rate notes was very active for the second week running. Prices moved ahead, although coupon adjustments last week moved renewal rates down by about 7/8 compared with those prevailing at the end of last year. Secondary market prices edged up by about a half point over the week with good two-way business.

In the straight sector, and despite a more active day on Friday, in part, to a better than feared batch of figures on the U.S. money supply, the week as a whole was dull. As Hill Samuel's text put it, "traders and institutional salesmen were wearing puzzled and anxious frowns as the normally flickering lights of their dealing desks 'blacked out' on a scale not seen since the continental Edison disaster of 1965. Interest rates remain in a quandary torn between long-term doubts and a rather brighter financial picture in the U.S. last week.

Alternative currencies to the dollar continue to play an important role: This is true of the Deutsche-Mark but also, though to a lesser degree, of the French franc where demand for the Peugeot-Citroen issue is reported to be good and well spread geographically.

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U.S. BONDS

BY JOHN WYLES

Money supply too true to be good

THE LATEST money supply statistics, published by the Federal Reserve Board on Thursday, brought such splutters of disbelief from some Wall Street economists that the Fed was forced to issue a denial

on Friday that the figures were inaccurate and that it planned to correct them. Forecasting the money supply is at best a hazardous enterprise but some economists were left with more egg on their faces

than usual because of projections they made earlier in the week of an expected bulge of up to \$5bn when M1 appeared unchanged and M2 up a modest \$500m. The bond markets staged a gentle rally which halted the

declining trend of the previous three days. But Friday saw the mood change, bringing with it news that unemployment had risen insignificantly in December and that therefore the economy was still showing no signs of stalling under the impact of high interest rates.

FT INTERNATIONAL BOND SERVICE

The following are 200 international bonds for which an adequate secondary market exists. The ones over the \$100,000 are denominated in dollars. The others are denominated in the currency of the issuer.

Table with columns: U.S. DOLLAR, STRAIGHTS, OTHER STRAIGHTS, CONVERTIBLE BONDS, EWING FRANC STRAIGHTS, and YEN STRAIGHTS. Includes bond names, amounts, maturities, and yields.

Trading down

Anticipation that after two months of extremely slow money supply growth, the figures were about to take a turn for the worse and dampened most of the week's trading up in Thursday afternoon. Evidence that the money supply curve is still flat "poses a rather intriguing mystery in view of the economic strength in the closing months of 1978," says Mr. Henry Kaufman of Salomon Brothers.

Five-year note

Clearly this does not point to significantly lower interest rates in the near future. The climb to present levels has dampened down foreign bond sales in the U.S. that one of the most interesting issues of last week was the \$150m of five-year notes from the Kingdom of Norway.

Sales decline

The decline was almost entirely due to a slump in issues by international organisations—\$459m against \$1.9bn—who withdrew from the U.S. market either because of relatively high interest rates or to avoid putting more pressure on the debilitated dollar.

FORFEITING

BY JOHN EVANS

Discounting with a difference

THE CURRENT banking dispute due before the British High Court over alleged non-payment of bills of exchange worth DM 26m has focused attention on the system of "forfeiting" employed in many international trade transactions.

Forfeiting—the loose British equivalent is the discounting of trade bills—is a still unfamiliar outside continental Europe, particularly Switzerland and Germany where it has its origins.

It denotes the purchase of obligations falling due at some future date, arising from the deliveries of goods and services by an exporter—but without claim on any previous holder of the obligation.

currency markets rather than the sterling-based trade finance markets. Forfeiting is still little used by British exporters, although there has been growth in specific areas. The UK Export Credits Guarantee Department no longer extends fixed-rate supplier credits in the European Economic Community. However, by employing forfeiting, a UK exporter can still obtain such credits for use elsewhere in Europe.

Finanz AG in London, a subsidiary of Switzerland's Credit Suisse, which is active in forfeiting, says the technique offers exporters several advantages. It relieves the exporter's balance sheet of contingent liabilities, and improves liquidity. Taken together, these two factors increases the exporter's borrowing capacity. Finanz AG adds however: "In times of adverse market conditions, the disadvantage lies in the occasionally relatively high financing costs which are due to the assumption by the forfeiter of the totality of these risks."

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U.S. \$70,000,000 PROJECT FINANCING LOANS. JORDAN FERTILIZER INDUSTRY COMPANY LIMITED. U.S. \$50,000,000 Ten year floating rate loan. THE HASHEMITE KINGDOM OF JORDAN provided its guarantee to participants. ARAB BANK LIMITED and THE ARAB AND MORGAN GRENFELL FINANCE COMPANY LIMITED. BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (BAII). UNION DE BANQUES ARABES ET FRANCAISES—U.B.A.F. SOCIETE GENERALE. WARDLEY MIDDLE EAST LIMITED. ALGEMENE BANK NEDERLAND N.V. ARAB JORDAN INVESTMENT BANK. THE BANK OF TOKYO, LTD. BANQUE NATIONALE DE PARIS. BAYERISCHE LANDESBANK GIROZENTRALE. BURGAN BANK S.A.K. COMPAGNIE FINANCIERE LUXEMBOURG. GULF INTERNATIONAL BANK B.S.C. MIDLAND BANK LIMITED. ARAB BANK LIMITED - OBU SAHRAIN. BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (BAII). BANQUE DE L'UNION EUROPEENNE. SOCIETE GENERALE. UNION DE BANQUES ARABES ET FRANCAISES—U.B.A.F. ALGEMENE BANK NEDERLAND N.V. THE BANK OF TOKYO, LTD. BAYERISCHE LANDESBANK GIROZENTRALE. GULF INTERNATIONAL BANK B.S.C. MIDLAND BANK LIMITED. ARAB JORDAN INVESTMENT BANK. BANQUE NATIONALE DE PARIS. BURGAN BANK S.A.K. COMPAGNIE FINANCIERE LUXEMBOURG. MIOLAND BANK LIMITED. THE BRITISH BANK OF THE MIDDLE EAST. WARDLEY MIDDLE EAST LIMITED. BCLAIRYS BANK INTERNATIONAL LIMITED (BAHRAIN OAU). EUROPEAN ARAB BANK. THE TOKAI BANK, LIMITED. U.S. \$20,000,000 Fixed Rate Term Loan. Provided by INTERNATIONAL FINANCE CORPORATION. This announcement appears as a matter of record only.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts (left column), listing various trusts such as Abbey Unit Tr. Mgrs., British Trust Mgmt., and others with their respective details and prices.

Table of Authorised Unit Trusts (middle column), listing trusts like British Trust Mgmt., British Trust Mgmt., and others with their respective details and prices.

Table of Authorised Unit Trusts (right column), listing trusts like British Trust Mgmt., British Trust Mgmt., and others with their respective details and prices.

Table of Offshore and Overseas Funds, listing various international investment funds such as Alexander Fund, British Trust Mgmt., and others with their respective details and prices.

INSURANCE AND PROPERTY BONDS

Table of Insurance and Property Bonds (left column), listing various insurance and bond products with their details.

Table of Insurance and Property Bonds (middle column), listing various insurance and bond products with their details.

Table of Insurance and Property Bonds (right column), listing various insurance and bond products with their details.

Table of Insurance and Property Bonds (right column), listing various insurance and bond products with their details.

Table of Insurance Base Rates, listing various insurance base rates and their corresponding values.

NOTES: Additional information and notes regarding the funds and insurance products listed.



This Advertisement appears as a matter of record only. These Bonds have been sold outside the United States of America and the Netherlands Antilles.

NEW ISSUE 10th January, 1979

BBC
BROWN BOVERI

U.S. \$84,000,000

BBC Brown Boveri Finance (Curaçao) N.V.

(Incorporated with limited liability in the Netherlands Antilles)

80,000 4 1/2 per cent. Guaranteed Convertible Bonds due 1993
of U.S. \$1,050 principal amount each

convertible into

Bearer Participation Certificates of Sfr. 100 par value each
(initially at the rate of five Bearer Participation Certificates for each Bond)

or

and unconditionally guaranteed by

BBC Brown, Boveri & Company, Limited
(Incorporated in Switzerland)

Union Bank of Switzerland (Securities) Limited

Swiss Bank Corporation (Overseas) Limited

Credit Suisse First Boston Limited

- | | | | |
|---|--|--|--|
| Alfa Romeo Investment Company | Algemeene Bank Nederland N.V. | A. E. Awer & Co. Ltd. | Amsterdam-Rotterdam Bank N.V. |
| Banca Commerciale Italiana | Banca Nazionale del Lavoro | Bank of America International Limited | Bank of Montreal |
| Bank Julius Baer International Limited | The Bank of Bermuda Ltd. | Bank of Helsinki Limited | Bank Leu International Limited |
| Bankers Trust International Limited | Banque Arabe et Internationale d'Investissement (B.A.I.I.) | Banque Bruxelles Lambert S.A. | Banque Paribas |
| Banque Française de Commerce Extérieur | Banque de Flandres et de Saxe | Banque Nationale de Paris | Banque de Paris et des Pays-Bas |
| Banque de Paris et des Pays-Bas | Banque de Paris et des Pays-Bas (Suisse) S.A. | Banque Populaire Suisse S.A. Luxembourg | Bayerische Landesbank Girozentrale |
| Banque de l'Union Européenne | Baring Brothers & Co. Limited | Bayerische Landesbank Girozentrale | Berliner Handels und Frankfurter Bank |
| Berliner Handels und Frankfurter Bank | B.S.I. Underwriters Limited | Bergen Bank S.A.K.-Kewit | Berna Fry Limited |
| Calixa des Dépôts et Comptes Courants | Chase Manhattan Limited | Chemical Bank International Limited | Chemical Bank International Limited |
| Citibank International Group | Commerzbank Aktiengesellschaft | Commerzbank Aktiengesellschaft | Commerzbank Aktiengesellschaft |
| Credit Commercial de France | Credit Industriel et Commercial | Credit Lyonnais | Credito Italiano |
| Deutsche Bank Aktiengesellschaft | Deutsche Bank Aktiengesellschaft | Deutsche Bank Aktiengesellschaft | Deutsche Bank Aktiengesellschaft |
| Deutsche Girozentrale-Deutsche Kreditbank | Deutsche Länderbank Aktiengesellschaft | Dresdner Bank Aktiengesellschaft | Dresdner Bank Aktiengesellschaft |
| Europacredit S.A. | Europacredit S.A. | European Banking Company Limited | Robert Fleming & Co. Limited |
| Gesellschaftliche Zentralbank AG Wien | Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft | Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft | Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft |
| Groupement des Banquiers Privés Genevois | Hamburger Bank Limited | Handelsbank N.V. (Overseas) Limited | Handelsbank N.V. (Overseas) Limited |
| IMI Smead & Co. Limited | Istituto Bancario San Paolo di Torino | Kanzlei-Otto-Parkit | Kreditbank S.A. Luxembourg |
| KfW, Frankfurt International Limited | Kleber, Reuss Limited | Kreditbank S.A. Luxembourg | Manufacturers Hanover Limited |
| Kreditanstalt für Württemberg (KfW) | Lazard Frères et Cie. | Morgan Grenfell & Co. Limited | Morgan Grenfell & Co. Limited |
| Kreditanstalt für Württemberg (KfW) | Sauzet, Montagu & Co. Limited | Orion Bank Limited | Orion Bank Limited |
| Morgan Stanley International Limited | Nomura Europe N.V. | Orion Bank Limited | Orion Bank Limited |
| Privatbank Aktiengesellschaft | Privatbank & Verwaltungsgesellschaft | Rafschid Bank AG | Solomon Brothers International |
| A. H. H. & Co. | J. H. H. & Co. Limited | Shandevichs Bank | Shandevichs Bank |
| Smith Barney, Harris Upham, S.A. | Societa Finanziaria Assicurativa (S.F.A.S.) | Societa Finanziaria Assicurativa (S.F.A.S.) | Societa Finanziaria Assicurativa (S.F.A.S.) |
| Société Générale | Société Générale de Banque S.A. | Strauss, Tarnath & Co. | J. Vintochel & Co. |
| Svenska Handelsbanken | Verbind Schweizerischer Kantonalbanken | Westdeutsche Landesbank Girozentrale | Wood Gundy Limited |
| S. G. Warburg & Co. Ltd. | Westdeutsche Landesbank Girozentrale | Wood Gundy Limited | Wood Gundy Limited |

This Announcement appears as a matter of record only

Ing. C. Olivetti & C., S.p.A.,
Ivrea, Italy

U.S. \$100,000,000

Eight Year Credit Facility

Provided by

Commerzbank
Aktiengesellschaft

Deutsche Länderbank
Aktiengesellschaft

Under a Participation Agreement with

Commerzbank International S.A. Union de Banques Suisses (Luxembourg) S.A.

Amsterdam-Rotterdam Bank N.V.

Bank of Montreal

Deutsche Bank

Compagnie Financière Luxembourg

Istituto Bancario San Paolo di Torino

Lloyds Bank International Limited

Morgan Guaranty Trust Company of New York

Agent

Commerzbank
Aktiengesellschaft

Adviser to the Company

Union Bank of Switzerland (Securities) Limited

This Announcement appears as a matter of record only.

ISV

Årdal og Sunndal Verk a.s.

(Incorporated with limited liability under Norwegian law)

U.S. \$50,000,000

Ten Year Multi-currency Term Loan

Union Bank of Switzerland (Securities) Limited as Co-ordinator
Scandinavian Bank Limited as Agent

Bergen Bank
as Adviser to the Company

Provided by

Union Bank of Switzerland

Scandinavian Bank Limited

Bergen Bank

The Chase Manhattan Bank N.A.

Deutsche Bank
Compagnie Financière Luxembourg

Midland Bank Limited

Orion Bank Limited

This Announcement appears as a matter of record only. These Bonds have been placed outside the United States of America.

PRIVATE PLACEMENT

4th January, 1979

US \$25,000,000

European Investment Bank

9 3/8% Bonds due 1991

Issue Price 99 3/4%

These Bonds were underwritten and placed by

Union Bank of Switzerland (Securities) Limited

BUSINESSMAN'S DIARY

Table with columns: Date, Title, Venue. Includes UK Trade Fairs and Exhibitions such as International Toy Fair, Stationery Industry Exhibition, and Micro-Electronics for the TV Industry.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table with columns: Date, Title, Venue. Includes International Trade Fair, Motor Workshops and Gasoline Station Equipment, and International Boat Show.

BUSINESS AND MANAGEMENT CONFERENCES

Table with columns: Date, Title, Venue. Includes RRG: Risk Management in Practice, IPE: Practical Interviewing and Assessment Skills, and Bradford University Group and Personal Effectiveness.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final.

Table with columns: TODAY, THURSDAY JAN. 18, FRIDAY JAN. 19, SATURDAY JAN. 20. Lists various company meetings, board meetings, and dividend/interest payments.

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual Interest, Life. Lists various local authority bonds such as Barnsley Metro, Buryley, and East Lindsey.

NOTICE OF REDEMPTION

To the Holders of Plywood-Champion International Finance Company 5 1/4% Convertible Guaranteed Debentures due 1983

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Indenture dated as of February 15, 1968 providing for the above Debentures...

Those outstanding Debentures of \$1,000 each of prefix "M" bearing numbers ending in the following two digits: 34 40 51 63 72 76 80 81 82

And outstanding Debentures of prefix "M" bearing the following numbers: 369 759 1059 1859 2700 3569 3959 4359 5259 6059 6859 7059 7189 7339 7759

On February 15, 1979, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

Plywood-Champion International Finance Company

CONTRACTS AND TENDERS

Tender Announcement for Nominated Sub-Contracts

The Government of the State of Qatar will shortly invite bids for the Nominated Sub-Contracts for the University of Qatar...

- 1. Engineering Systems
A. Mechanical
B. Electrical
2. Architectural Finishes
A. Joinery and Associated Works
B. Applied Finishes, Suspended Ceilings and Decorations.

Interested firms should have the turnover shown in the table below for each trade and documents will be available at the Amir's Office for pre-qualified bidders at the prices listed.

Table with columns: Sub-Contract, Turnover QR, Document Price QR. Lists engineering and architectural sub-contracts.

Firms must state in their replies the Sub-Contract in which they are interested. Full details of incorporation of company, classification or relationship of any proposed joint venture and name of local agent must be supplied.

The Main Contract period will be approximately 40 months, with an assumed commencement date in March 1979.

It is the intention to invite bids from a select list of pre-qualified bidders at dates which are appropriate for letting sub-contracts to each of the construction elements listed above.

Tenders will be valid for 90 days after submission. Tender and performance bonds will be required. All sub-contracts will be let on a fixed-price basis.

TURKISH STATE RAILWAYS (TCDD)

The Chairmanship of Central Purchasing and Sales Commission Ankara - Gar/TURKEY

Tenders are invited for 11 DIESEL GENERATOR SETS of which the technical features are written in the specifications.

1 - The above items are to be purchased through bids received from countries which are members of the World Bank and Switzerland.

2 - The bidding documents prepared for this purpose in Turkish and English can be purchased from TCDD's Central Cash Office in Ankara and Sirkeci Cash Office in Istanbul at a price of TL 350.

3 - The bids should be received by or handed in person to our commission not later than January 31, 1979, at 15:00 hours, for a meeting at TCDD Supply Department on that date.

PLANT & MACHINERY SALES

Description Telephone

ROLLING MILLS
5in x 12in x 10in wide variable speed
Four High Mill, 0902 42541/2/3
Telex 336414

STRIP FLATTEN AND CUT-TO-LENGTH LINE
by A.R.M. Max. capacity 750 mm x 3 mm. 0902 42541/2/3
Telex 336414

FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE, Max. capacity 15in x 10 s.w.g. 0902 42541/2/3
Telex 336414

RWF TWO-STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls. 0902 42541/2/3
Telex 336414

SLITTING LINES (2) 300 mm and 500 mm capacity. 0902 42541/2/3
Telex 336414

8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition. 0902 42541/2/3
Telex 336414

24in DIAMETER HORIZONTAL BLOCK BLOCK by Farmer Norton (1972). 0902 42541/2/3
Telex 336414

PACEMAKER SIX BLOCK (22in x 25 h.p.) variable speed Wire Drawing Machine by Marshall Richards. 0902 42541/2/3
Telex 336414

2 1/2 Die MS4 WIRE DRAWING MACHINES, 5,000 ft/min with spoolers by Marshall Richards. 0902 42541/2/3
Telex 336414

9 DIE 1.750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive. 0902 42541/2/3
Telex 336414

HYDRAULIC SCRAP Baling Press by Fielding and Platt. 85 ton main ram pressure. 0902 42541/2/3
Telex 336414

WALDRICH COBURG HYDRAULIC PLANER capacity 160in x 50in x 50in. Almost new condition. 01-928 3131
Telex 261771

4,000 TON HYDRAULIC PRESS. Upstroke between columns 92in x 57in daylight 51in. 01-928 3131
Telex 261771



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Los Angeles Agency: United California Bank Building, Suite 5660 707 Wilshire Blvd., Los Angeles, Cal. 90017

Hong Kong Rep. Office: 702 China Building, 29 Queen's Road Central, Hong Kong

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FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Table listing bonds and rails with columns for Interest, Stock, Price, Last, Bid, Offer, Yield, and Date.

BRITISH FUNDS

Table listing various British funds with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

"Shorts" (Lives up to Five Years)

Table listing "Shorts" with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Five to Fifteen Years

Table listing funds with a 5 to 15 year maturity with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Over Fifteen Years

Table listing funds with a maturity of over 15 years with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Undated

Table listing undated funds with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

INTERNATIONAL BANK CORPORATION LOANS

Table listing international bank corporation loans with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

COMMONWEALTH & AFRICAN LOANS

Table listing commonwealth and African loans with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

FOREIGN BONDS & RAILS

Table listing foreign bonds and rails with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT. Head Office: Bracken House, 10, Cannon Street, London EC4A 3BF. Tel: 2484 2484, 2484 2484, 2484 2484. Telex: 2484 2484, 2484 2484, 2484 2484. Frankfurt Office: Frankenthaler 68-72, 6000 Frankfurt-am-Main 1. Tel: Editorial 416022, Commercial 416193, Telephone 47598 234, Commercial 7598 1. INTERNATIONAL AND BRITISH OFFICES

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AMERICANS

Large table listing American stocks with columns for Stock, Price, Last, Bid, Offer, Yield, and Date.

BANKS & HP—Continued

Table listing banks and HP with columns for Stock, Price, Last, Bid, Offer, Yield, and Date.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, Last, Bid, Offer, Yield, and Date.

BANKS AND HIRE PURCHASE

Table listing banks and hire purchase with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

CHEMICALS, PLASTICS

Table listing chemicals and plastics with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

CHEMICALS, PLASTICS—Cont.

Table listing chemicals and plastics (continued) with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

DRAPERY AND STORES

Table listing drapery and stores with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building industry, timber and roads with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

ENGINEERING—Continued

Table listing engineering (continued) with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

ELECTRICAL AND RADIO

Table listing electrical and radio with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

FOOD, GROCERIES, ETC.

Table listing food, groceries, etc. with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

ENGINEERING MACHINE TOOLS

Table listing engineering machine tools with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Table listing various stocks and shares with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Table listing hotels and caterers with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Table listing industrial and miscellaneous stocks with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

Table listing various stocks and shares with columns for Name, Price, Last, Bid, Offer, Yield, and Date.

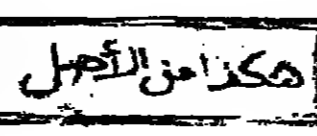
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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

INSURANCE—Continued

Table of insurance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

PROPERTY—Continued

Table of property stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Overseas Airways, British Airways, and British Caledonian.

FINANCE, LAND—Continued

Table of finance and land stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

SANWA BANK Tokyo, Japan. Serving the world with financial expertise.

MINES—Continued

Table of mine stocks including companies like Anglo American, De Beers, and Anglo Platinum.

LEISURE

Table of leisure stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

Commercial Vehicles

Table of commercial vehicle stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

Components

Table of component stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

Gargers and Distributors

Table of gargar and distributor stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

PAPER, PRINTING

Table of paper and printing stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

PROPERTY

Table of property stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

INSURANCE

Table of insurance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

SHIPBUILDERS, REPAIRERS

Table of shipbuilder and repairer stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

SHIPPING

Table of shipping stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

SHOES AND LEATHER

Table of shoe and leather stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

SOUTH AFRICANS

Table of South African stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

TEXTILES

Table of textile stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

TOBACCO

Table of tobacco stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

OILS

Table of oil stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

TEAS

Table of tea stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

India and Bangladesh

Table of India and Bangladesh stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

Sri Lanka

Table of Sri Lanka stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

Africa

Table of African stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

MINES

Table of mine stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

CENTRAL RAND

Table of Central Rand stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

EASTERN RAND

Table of Eastern Rand stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

FAR WEST RAND

Table of Far West Rand stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

FINANCE

Table of finance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

O.F.S.

Table of O.F.S. stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

FINANCE

Table of finance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

CENTRAL AFRICAN

Table of Central African stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

MINES—Continued

Table of mine stocks including companies like Anglo American, De Beers, and Anglo Platinum.

REGIONAL MARKETS

Table of regional market data including London, New York, and other international markets.

OPTIONS

Table of options data including 3-month call rates and other financial instruments.



Bain Dawes A worldwide insurance broking service

EEC move to check state aid to industry

BY GILES MERRITT IN BRUSSELS A CONTROVERSIAL move that would directly challenge EEC member governments' sovereignty in two important areas is being contemplated by the European Commission.

Deals by oilmen boost Carter's pay guidelines

BY JOHN WYLES IN NEW YORK STRONG behind-the-scenes pressure on U.S. oil companies, allied to the relatively weak bargaining power of the union involved, has helped the Carter Administration win its first success for the President's anti-inflation pay guidelines.

Braniff expects to increase Concorde flights

BY MICHAEL DONNE IN DALLAS BRANIFF, the U.S. international airline, which began joint Concorde services with British Airways and Air France between Washington and Dallas/Fort Worth in Texas last Friday is planning to expand its Concorde operations this year.

Heinz to phase out factory at Wigan

BY RHYS DAVID HEINZ is to phase out its Standish factory at Wigan, where 1,150 people are employed, in order to concentrate its northern production at Kirt Green, another plant in the town.

Britain seeks trade agreement with China for up to £15bn

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT BRITAIN is hoping to sign a trade agreement with China which could be as high as £15bn following the visit there next month by Mr. Eric Varley, Industry Secretary.

Cabinet seeks agreement

Continued from Page 1 Mr. Denis Healey, the Chancellor, said last week that the cash limits for 1978-79 would be based on the Government's 5 per cent pay guidelines, effectively implying a 7 to 8 per cent rise in average earnings.

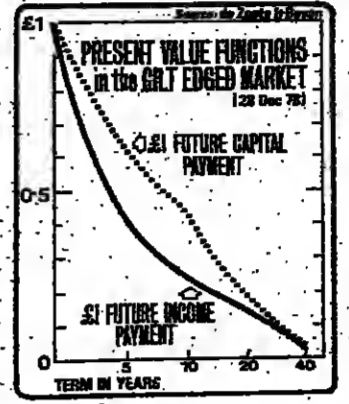
Brokers agree \$13m out-of-court settlement

BY JOHN MOORE ONE OF THE top three U.S. insurance brokers, Frank B. Hall, is to pay \$13m (£8.5m) to Unigard Mutual Insurance Company, an American insurance group, following an out-of-court settlement of a major international reinsurance row.

Legal battles followed between most of those involved over the terms and type of contract, as well as the manner of the placing of the business. Hall explained in its last accounts that Unigard had insisted that Hall would be liable, if the reinsurance contract was found to be wholly or partially "ineffective".

Computerising the gilts market

THE LEX COLUMN ing at it is to say that the model is not sophisticated enough to reflect all the market's complexities. One quirk of the UK Government bond market, for instance, is that yields vary according to the level of the coupon.



Outdated techniques Two developments have spurred these innovations. The first has been the mounting difficulty faced by gilt market technicians in pursuing conventional valuation techniques. Redemption yields and yield curves have been unable to cope with the huge spread of coupons which now afflict the market.

Percentage game The results are not, to the casual observer, very exciting. Apart from cases like Conversion 3 1/2 per cent, which seems to defy analysis, the deviations are relatively small—

Complications Well, no, the real world, unfortunately, is never quite as simple as that. On one day last week the de Zoete model was suggesting that Treasury 14 per cent, 1982, was 2 per cent too dear, that Treasury 6 1/2 per cent, 1995-98 was 2 per cent too cheap, and that War Loan was overvalued 4.69 per cent.

Weather

UK TODAY MOSTLY DRY with bright intervals after a misty start. Some sleet or snow in the North.

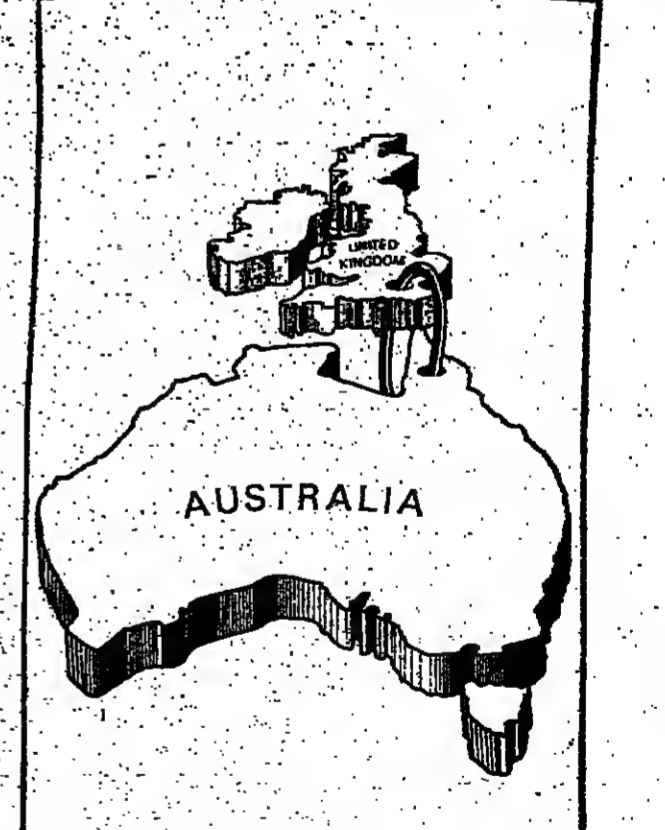


Table with columns for Business Centres and Holiday Resorts, listing various cities and their weather conditions.

The vital link

Advertisement for Commonwealth Trading Bank of Australia, highlighting its services and international reach.